

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Livonia</u>	County Wayne
Audit Date November 30, 2004	Opinion Date February 18, 2005	Date Accountant Report Submitted To State: April 11, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Hwy.	City Southfield	State MI	ZIP 48034
Accountant Signature 			

City of Livonia, Michigan

**Financial Report
with Supplemental Information
November 30, 2004**

City of Livonia, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Livonia, Michigan as of and for the year ended November 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Livonia, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Livonia, Michigan as of November 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress and employer contributions, postemployment benefit plans schedule of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Livonia, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

February 18, 2005

Overview of the Financial Statements

The City of Livonia, Michigan's 2004 annual report consists of four parts: (1) management's discussion and analysis, (2) basic financial statements, (3) required supplementary information, and (4) other supplemental information that presents combining statements for nonmajor governmental funds, proprietary funds, and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that are intended to provide longer-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into three categories:

- **Government Activities** - Most of the City's basic services are included here, such as the police, fire, public works, parks departments, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding for these activities.
- **Business-type Activities** - The City charges fees to customers to cover the costs of certain services it provides. The City's water and sewer system, golf course operations, and non-federal senior housing are treated as business-type activities.
- **Component Units** - The City includes two other entities in its report, the Plymouth Road Development Authority and the Economic Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them, including debt, which is issued on behalf of the authorities by the City.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. Other funds are established to control and manage money for particular purposes.

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash, flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine if there are more or fewer financial resources available to spend in the near future to finance the City's programs.
- **Proprietary Funds** - Services that are intended to be entirely self-supporting by customer fees are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.
- **Fiduciary Funds** - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

In a condensed format, the table below shows a comparison of the net assets as of November 30, 2004 to the prior year.

Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and other assets	\$ 47.2	\$ 45.8	\$ 24.8	\$ 26.5	\$ 72.0	\$ 72.3
Capital assets	<u>161.6</u>	<u>160.5</u>	<u>82.4</u>	<u>82.1</u>	<u>244.0</u>	<u>242.6</u>
Total assets	208.8	206.3	107.2	108.6	316.0	314.9
Liabilities						
Other liabilities	9.2	8.7	3.5	3.9	12.7	12.6
Long-term liabilities	<u>54.3</u>	<u>56.5</u>	<u>17.6</u>	<u>19.8</u>	<u>71.9</u>	<u>76.3</u>
Total liabilities	<u>63.5</u>	<u>65.2</u>	<u>21.1</u>	<u>23.7</u>	<u>84.6</u>	<u>88.9</u>
Net Assets						
Invested in capital assets -						
Net of related debt	118.8	114.5	66.1	64.4	184.9	178.9
Restricted	20.0	17.6	19.4	20.0	39.4	37.6
Unrestricted	<u>6.5</u>	<u>9.0</u>	<u>0.6</u>	<u>0.5</u>	<u>7.1</u>	<u>9.5</u>
Total net assets	<u>\$ 145.3</u>	<u>\$ 141.1</u>	<u>\$ 86.1</u>	<u>\$ 84.9</u>	<u>\$ 231.4</u>	<u>\$ 226.0</u>

City of Livonia - Net Assets

The City's assets exceed its liabilities at the end of the fiscal year by \$231.4 million (net assets). However, a major portion (80 percent) of the City's net assets represents its investments in capital assets (e.g., land, roads, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these physical assets to provide services to its citizens. These assets are illiquid and not available for future spending.

Unrestricted net assets of the City decreased from \$9.5 million at November 30, 2003 to \$7.1 million at the end of this year. The amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Further, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year, and as compared to the prior year:

Changes in Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue						
Program revenue:						
Charges for services	\$ 16.7	\$ 12.8	\$ 25.6	\$ 27.6	\$ 42.3	\$ 40.4
Operating grants and contributions	9.1	8.2	-	-	9.1	8.2
Capital grants and contributions	0.5	0.1	1.3	0.8	1.8	0.9
General revenue:						
Property taxes	50.0	48.5	-	-	50.0	48.5
State-shared revenue	9.2	10.0	-	-	9.2	10.0
Rental income and fees	1.4	1.3	-	-	1.4	1.3
Interest	0.9	1.1	0.2	0.2	1.1	1.3
Gain on sale of capital assets	-	0.1	-	-	-	0.1
Transfer and miscellaneous	0.6	0.3	(0.1)	0.3	0.5	0.6
Total revenue	88.4	82.4	27.0	28.9	115.4	111.3
Program Expenses						
General government	9.4	8.3	-	-	9.4	8.3
Public safety	34.0	32.0	-	-	34.0	32.0
Public works	23.5	20.0	-	-	23.5	20.0
Community and economic development	1.8	1.8	-	-	1.8	1.8
Recreation and culture	13.2	11.6	-	-	13.2	11.6
Interest on long-term debt	2.3	2.5	-	-	2.3	2.5
Water and sewer	-	-	23.3	24.6	23.3	24.6
Golf course	-	-	1.6	1.5	1.6	1.5
Housing	-	-	0.9	0.9	0.9	0.9
Total program expenses	84.2	76.2	25.8	27.0	110.0	103.2
Change in Net Assets	4.2	6.2	1.2	1.9	5.4	8.1
Net Assets - Beginning of year	141.1	134.9	84.9	83.0	226.0	217.9
Net Assets - End of year	<u>\$ 145.3</u>	<u>\$ 141.1</u>	<u>\$ 86.1</u>	<u>\$ 84.9</u>	<u>\$ 231.4</u>	<u>\$ 226.0</u>

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

In reviewing the above table, it can be noted that revenues increased by \$6.0 million and expenses increased by \$8.0 million. The significant factors impacting revenue include increases to charges for services (\$3.9 million), operating grants and contributions (\$.9 million) and property taxes (\$1.5 million). The most significant factor impacting the expenses was increases to personnel costs, particularly health insurance for employees and retirees.

Business-type Activities

Livonia has three business-type activities. These include the water and sewer system, the operating fund for the Fox Creek, Idyl Wyld, and Whispering Willows golf courses, and non-federal senior housing at Silver Village, Newburgh Village, and 13 scattered site homes.

The following table shows the income (loss) before contributions and transfers for each of these activities in the current and prior year:

(in thousands of dollars)

	Water and Sewer		Golf Courses		Housing	
	2004	2003	2004	2003	2004	2003
Total Revenue	\$ 22,946	\$ 24,931	\$ 1,757	\$ 1,969	\$ 1,244	\$ 1,230
Total Expenses	23,503	24,785	(1,730)	1,698	970	952
Income (Loss) - Before contributions and transfers	<u>\$ (557)</u>	<u>\$ 146</u>	<u>\$ 27</u>	<u>\$ 271</u>	<u>\$ 274</u>	<u>\$ 278</u>

Capital Assets and Debt Distribution

At the end of fiscal year 2004, the City has \$379.2 million invested, before depreciation, in a wide range of capital assets, including land, buildings, infrastructure, public safety equipment, computer equipment, and water and sewer lines.

Debt of \$45.0 million related to the construction of the above-mentioned capital assets is reported as a liability in the governmental activities in the statement of net assets.

Debt related to the water and sewer system totaling \$11.9 million and debt related to the housing and golf course activities of \$5.1 million is recorded as a liability in the business-type activities in the statement of net assets. This debt represents construction of and improvements to existing water and sewer lines and improvements to the golf course and City residential rental facilities.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Significant additions to capital assets during fiscal year 2004 include \$4.5 million invested in the construction of and improvements to roads and \$3.0 million invested in the construction of and improvements to water and sewer lines. There were no significant disposals of capital assets during fiscal year 2004.

The City's Funds

The fund financial statements begin on page 13 and provide detailed information on the most significant governmental funds - not the City as a whole. Funds are created to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2004 include the General Fund, Community Recreation Fund, and Refuse Disposal Fund.

The City's governmental funds reported combined fund balance of \$29 million. This is an increase of approximately \$1.0 million for the year. The primary cause for the increase was an increase of \$942,000 in the Community Recreation Fund balance. Membership and program activity at the facility has exceeded projections.

General Fund Budgetary Highlights

Over the course of the year, the City administration and City Council monitor and amend the budget, primarily to prevent expenditures in excess of budget, as required by the State of Michigan Budget Act. The final amended budget included approximately \$1.7 million more revenue and \$1.4 million more expenditures than the original adopted budget. The primary causes of the budget increases were a result of amending the General Fund budget to reflect the issuance of \$485,000 of debt for the purchase of a fire engine and to reflect the additional court fines revenue and related costs generated by the Police Department's Strategic Traffic Accident Reduction (STAR) program.

Actual General Fund revenues were approximately \$1.8 million below the final budget. Specifically, state-shared revenues were \$941,000 less than the final budget because of mid-year reductions implemented by the State of Michigan, court fine revenue was \$520,000 less than the final budget because collection of traffic fines was lower than expected, and interest income was \$257,000 less than the final budget because interest rates are at historic lows.

Actual General Fund expenditures were approximately \$1.6 million below the final budget. All departments held expenditures below the final budget. Major savings were achieved by continuing an across-the-board hiring freeze that began in 2002. At year end, approximately eighty (80) positions were vacant, resulting in over \$4.0 million in reduced wage and benefit costs city-wide.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Current Economic Conditions

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in upcoming years.

The majority of the City's revenue base is constrained by factors outside the City's control. Property taxes, state-shared revenue, and interest income total 68 percent of the City's total governmental activities revenue. Property tax revenue increases are limited to very small increases because of Proposal A and Headlee state constitutional limitations. The State of Michigan has experienced budget deficits and has significantly reduced revenue-sharing payments to local governments to help reduce their deficit. Interest rates that are historic lows have diminished the City's return on investments.

On the expense side, certain expenses continue to rise at a rate far in excess of inflation. In particular, health care expenses have continued their trend of double-digit increases. Hiring and capital outlay freezes, among other measures, have been implemented to reduce expenses to the level of available revenue. We are committed to living within our means, although the result may be diminished programs and service response capabilities.

Contacting the City's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance at the City of Livonia, 33000 Civic Center Drive, Livonia, Michigan 48154.

City of Livonia, Michigan

Statement of Net Assets November 30, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments (Note 3)	\$ 36,046,726	\$ 12,073,265	\$ 48,119,991	\$ 368,553
Receivables:				
Taxes	127,466	-	127,466	-
Customers	-	9,023,463	9,023,463	-
Due from other governmental units	3,857,297	-	3,857,297	-
Employees' Retirement System and VEBA	823,566	-	823,566	-
Special assessments	668,949	-	668,949	-
Traffic fines	1,263,350	-	1,263,350	-
Workers' compensation	126,311	-	126,311	-
Other	855,750	353,959	1,209,709	-
Inventory, prepaid expenditures, and deposits	866,205	281,488	1,147,693	-
Installment contracts	-	756,221	756,221	-
Restricted assets (Note 8)	2,602,108	2,222,501	4,824,609	-
Capital assets (Note 4):				
Nondepreciable capital assets	34,295,903	6,695,012	40,990,915	474,448
Depreciable capital assets - Net	127,285,748	75,748,247	203,033,995	12,001,030
Total assets	208,819,379	107,154,156	315,973,535	12,844,031
Liabilities				
Accounts payable	3,926,781	1,845,310	5,772,091	76,032
Accrued and other liabilities	4,090,176	192,139	4,282,315	23,944
Deferred revenue (Note 13)	1,212,753	1,193,735	2,406,488	-
Bonds and deposits	-	232,039	232,039	-
Noncurrent liabilities (Note 7):				
Due within one year	6,814,040	1,901,840	8,715,880	295,000
Due in more than one year:				
Bonds and capital leases payable	41,264,744	15,307,579	56,572,323	5,740,000
Compensated absences and insurance claims	5,539,854	399,153	5,939,007	-
Landfill closure liability	651,780	-	651,780	-
Property tax liability	-	-	-	515,939
Total liabilities	63,500,128	21,071,795	84,571,923	6,650,915
Net Assets				
Invested in capital assets - Net of related debt	118,813,479	66,035,378	184,848,857	6,440,478
Restricted:				
Community recreation	5,041,766	-	5,041,766	-
Municipal refuse	3,977,919	-	3,977,919	-
Street, roads, and sidewalks	5,830,244	-	5,830,244	-
Grants and SAD street lighting	174,081	-	174,081	-
Library	511,577	-	511,577	-
Public safety communication	1,386,744	-	1,386,744	-
Adjudicated forfeitures	662,200	-	662,200	-
Debt service	698,591	-	698,591	-
Capital projects	1,673,660	-	1,673,660	-
Restricted for ordinance requirements	-	1,385,197	1,385,197	-
Water and sewer	-	18,061,005	18,061,005	-
Economic Development Corporation	-	-	-	2,706
Unrestricted	6,548,990	600,781	7,149,771	(250,068)
Total net assets	<u>\$ 145,319,251</u>	<u>\$ 86,082,361</u>	<u>\$ 231,401,612</u>	<u>\$ 6,193,116</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Livonia, Michigan

		Program Revenues		
		Charges for	Operating Grants and	Capital Grants and
	Expenses	Services	Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 9,413,195	\$ 4,064,237	\$ 198,000	\$ -
Public safety	33,982,590	6,215,074	680,318	-
Public works	23,499,567	1,599,123	6,624,091	477,295
Community and economic development	1,780,699	303,015	1,050,276	-
Recreation and culture	13,195,999	4,525,761	500,639	-
Interest on long-term debt	2,290,491	-	-	-
Total governmental activities	84,162,541	16,707,210	9,053,324	477,295
Business-type activities:				
Water and sewer	23,282,063	22,556,312	-	1,289,826
Golf course	1,582,790	1,756,190	-	-
Housing	916,522	1,233,961	-	-
Total business-type activities	25,781,375	25,546,463	-	1,289,826
Total primary government	<u>\$ 109,943,916</u>	<u>\$ 42,253,673</u>	<u>\$ 9,053,324</u>	<u>\$ 1,767,121</u>
Component units:				
Economic Development Corporation	\$ 1,500	\$ -	\$ -	\$ -
Plymouth Road Development Authority	2,208,837	-	380	-
Total component units	<u>\$ 2,210,337</u>	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenue				
Unrestricted fees and other				
Interest				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities Year Ended November 30, 2004

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (5,150,958)	\$ -	\$ (5,150,958)	\$ -	
(27,087,198)	-	(27,087,198)	-	
(14,799,058)	-	(14,799,058)	-	
(427,408)	-	(427,408)	-	
(8,169,599)	-	(8,169,599)	-	
(2,290,491)	-	(2,290,491)	-	
(57,924,712)	-	(57,924,712)	-	
-	564,075	564,075	-	
-	173,400	173,400	-	
-	317,439	317,439	-	
-	1,054,914	1,054,914	-	
(57,924,712)	1,054,914	(56,869,798)	-	
-	-	-	(1,500)	
-	-	-	(2,208,457)	
-	-	-	(2,209,957)	
50,036,730	-	50,036,730	1,451,043	
9,166,074	-	9,166,074	-	
1,373,721	-	1,373,721	-	
926,245	217,629	1,143,874	9,373	
332,245	183,526	515,771	-	
283,168	(283,168)	-	-	
62,118,183	117,987	62,236,170	1,460,416	
4,193,471	1,172,901	5,366,372	(749,541)	
141,125,780	84,909,460	226,035,240	6,942,657	
\$ 145,319,251	\$ 86,082,361	\$ 231,401,612	\$ 6,193,116	

City of Livonia, Michigan

Governmental Funds Balance Sheet November 30, 2004

	Major Special Revenue Funds			Other Nonmajor	Total
	General Fund	Community Recreation	Refuse Disposal System	Governmental Funds	Governmental Funds
Assets					
Current assets:					
Cash and investments	\$ 5,620,750	\$ 6,269,371	\$ 6,062,369	\$ 11,446,672	\$ 29,399,162
Receivables:					
Taxes	67,888	8,774	28,760	22,044	127,466
Special assessments	-	-	-	668,949	668,949
Workers' compensation	126,311	-	-	-	126,311
Due from other governmental units	2,057,337	-	-	1,799,960	3,857,297
Employees' Retirement System and VEBA	823,566	-	-	-	823,566
Other	721,137	-	13,312	121,301	855,750
Due from other funds (Note 5)	-	-	13,144	3,682	16,826
Inventory, prepaid expenses, and deposits	542,823	-	-	-	542,823
Restricted assets (Note 8)	-	-	-	2,602,108	2,602,108
Total assets	<u>\$ 9,959,812</u>	<u>\$ 6,278,145</u>	<u>\$ 6,117,585</u>	<u>\$ 16,664,716</u>	<u>\$ 39,020,258</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 975,935	\$ 170,998	\$ 1,441,085	\$ 1,338,763	\$ 3,926,781
Due to other funds (Note 5)	13,144	-	-	3,682	16,826
Accrued and other liabilities	3,685,384	50,361	23,608	94,872	3,854,225
Deferred revenue (Note 13)	331,869	1,015,020	23,193	810,473	2,180,555
Total liabilities	5,006,332	1,236,379	1,487,886	2,247,790	9,978,387
Fund Balances					
Reserved for prepaids and inventory	439,058	-	-	-	439,058
Reserved for capital construction	-	-	-	2,133,968	2,133,968
Unreserved - Undesignated	4,514,422	5,041,766	4,629,699	-	14,185,887
Unreserved - Reported in:					
Special Revenue Funds	-	-	-	9,680,744	9,680,744
Debt Service Funds	-	-	-	698,591	698,591
Capital Projects Funds	-	-	-	1,903,623	1,903,623
Total fund balances	<u>4,953,480</u>	<u>5,041,766</u>	<u>4,629,699</u>	<u>14,416,926</u>	<u>29,041,871</u>
Total liabilities and fund balances	<u>\$ 9,959,812</u>	<u>\$ 6,278,145</u>	<u>\$ 6,117,585</u>	<u>\$ 16,664,716</u>	<u>\$ 39,020,258</u>

City of Livonia, Michigan

Governmental Funds Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities November 30, 2004

Total Fund Balances of Governmental Funds	\$ 29,041,871
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	161,581,651
Certain receivables are expected to be collected over several years relating to special assessments and delinquent personal property taxes	967,802
Fines and fees are not available to pay for current year expenditures	1,263,350
Compensated absences are not due and payable in the current period and are not reported in the funds	(7,052,045)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(45,487,192)
Accrued interest payable on long-term debt is not recorded in the funds	(235,951)
A portion of the Internal Service Fund (self-insurance) is included as part of governmental activities	5,239,765
Net Assets of Governmental Activities	<u>\$ 145,319,251</u>

City of Livonia, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended November 30, 2004

	Major Special Revenue Funds			Other Nonmajor	Total
	General Fund	Community Recreation	Refuse Disposal System	Governmental Funds	Governmental Funds
Revenue					
Property taxes	\$ 26,698,535	\$ 3,437,552	\$ 11,268,625	\$ 8,642,330	\$ 50,047,042
Licenses and permits	2,495,896	-	-	-	2,495,896
Special assessments	-	-	-	1,083,742	1,083,742
Intergovernmental revenue:					
State sources	9,166,074	50,000	-	7,211,161	16,427,235
Federal sources	112,893	-	-	1,468,298	1,581,191
Charges for services	3,366,635	3,623,025	110,880	1,326,924	8,427,464
Interest	414,582	86,444	94,878	248,719	844,623
Fines and forfeitures	3,730,818	-	-	230,971	3,961,789
Miscellaneous revenue	1,833,891	35,500	96,360	1,489,946	3,455,697
Total revenue	47,819,324	7,232,521	11,570,743	21,702,091	88,324,679
Expenditures					
General government	8,028,784	-	-	198,000	8,226,784
Public safety	31,185,717	-	-	614,259	31,799,976
Public works	2,733,682	-	11,585,193	10,661,808	24,980,683
Recreation and culture	2,784,915	4,189,772	-	4,947,453	11,922,140
Community and economic development	730,414	-	-	1,050,285	1,780,699
Employee benefits, insurance, and other	2,829,085	-	-	-	2,829,085
Capital outlay	-	-	-	1,594,708	1,594,708
Debt service	-	-	-	4,924,672	4,924,672
Total expenditures	48,292,597	4,189,772	11,585,193	23,991,185	88,058,747
Excess of Revenue Over (Under) Expenditures	(473,273)	3,042,749	(14,450)	(2,289,094)	265,932
Other Financing Sources (Uses)					
Issuance of long-term debt	485,000	-	-	-	485,000
Transfers in (Note 5)	1,187,636	-	-	8,231,016	9,418,652
Transfers out (Note 5)	(1,141,748)	(2,100,718)	-	(5,893,018)	(9,135,484)
Total other financing sources (uses)	530,888	(2,100,718)	-	2,337,998	768,168
Net Change in Fund Balances	57,615	942,031	(14,450)	48,904	1,034,100
Fund Balances - Beginning of year	4,895,865	4,099,735	4,644,149	14,368,022	28,007,771
Fund Balances - End of year	\$ 4,953,480	\$ 5,041,766	\$ 4,629,699	\$ 14,416,926	\$ 29,041,871

City of Livonia, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended November 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ 1,034,100
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	7,452,118
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Depreciation, net of disposals, is recorded as an expense in the statement of activities but not in the governmental funds	(6,364,571)
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Certain revenue reported in the governmental funds was recorded as revenue in the statement of activities in previous years	(7,937)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	3,325,040
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Interest expense is recorded when incurred in the statement of activities	34,865
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Bond proceeds are not reported as financing sources (uses) on the statement of activities	(485,000)
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Decrease in accumulated employee sick and vacation pay is recorded when incurred in the statement of activities	405,076
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Increase in landfill liability is recorded when incurred in the statement of activities	(651,780)
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A portion of the Internal Service Fund (self-insurance) is also included as governmental activities in the statement of activities	(548,440)
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Change in Net Assets of Governmental Activities	<u>\$ 4,193,471</u>
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City of Livonia, Michigan

Proprietary Funds Statement of Net Assets November 30, 2004

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
	Water and Sewer	Housing	Golf Course		
Assets					
Current assets:					
Cash and investments	\$ 10,680,976	\$ 552,494	\$ -	\$ 11,233,470	\$ 7,487,360
Accounts receivable:					
Customers	9,023,463	-	-	9,023,463	-
Other	332,929	111	20,919	353,959	-
Inventory, prepaid expenditures, and deposits	258,911	-	4,263	263,174	341,697
Installment contracts	756,221	-	-	756,221	-
Restricted assets (Note 8)	2,222,501	-	-	2,222,501	-
Total current assets	23,275,001	552,605	25,182	23,852,788	7,829,057
Noncurrent assets (Note 4):					
Nondepreciable assets	1,530,576	1,581,948	3,582,488	6,695,012	-
Depreciable assets - Net	68,451,800	4,881,297	2,415,150	75,748,247	-
Total noncurrent assets	69,982,376	6,463,245	5,997,638	82,443,259	-
Total assets	93,257,377	7,015,850	6,022,820	106,296,047	7,829,057
Liabilities					
Current liabilities:					
Accounts payable	1,475,053	10,559	359,698	1,845,310	-
Accrued and other liabilities	119,191	61,131	11,817	192,139	-
Deferred revenue (Note 13)	1,193,735	-	-	1,193,735	-
Bonds and deposits	114,735	117,304	-	232,039	-
Current portion of long-term obligations	1,202,925	431,623	267,292	1,901,840	-
Total current liabilities	4,105,639	620,617	638,807	5,365,063	-
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	11,052,374	4,442,735	44,654	15,539,763	1,898,152
Total liabilities	15,158,013	5,063,352	683,461	20,904,826	1,898,152
Net Assets					
Invested in capital assets - Net of related debt	58,653,162	1,643,288	5,738,928	66,035,378	-
Restricted for ordinance requirements	1,385,197	-	-	1,385,197	-
Unrestricted	18,061,005	309,210	(399,569)	17,970,646	5,930,905
Total net assets	<u>\$ 78,099,364</u>	<u>\$ 1,952,498</u>	<u>\$ 5,339,359</u>	85,391,221	<u>\$ 5,930,905</u>

Amounts reported for business-type activities in the statement of net assets are different because a portion of the Internal Service Fund is included as business-type activities

691,140

Net Assets of Business-type Activities

\$ 86,082,361

City of Livonia, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended November 30, 2004

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
	Water and Sewer	Housing	Golf Course		
Operating Revenue					
Customer billings	\$ 21,705,585	\$ -	\$ -	\$ 21,705,585	\$ -
Fines and forfeitures	702,520	-	-	702,520	-
Service connections	58,290	-	-	58,290	-
Greens fees	-	-	1,619,202	1,619,202	-
Trail fees	-	-	87,788	87,788	-
City contributions	-	-	-	-	7,935,356
Rental income	-	1,232,990	-	1,232,990	-
Other revenue	270,911	3,098	49,605	323,614	-
Total operating revenue	22,737,306	1,236,088	1,756,595	25,729,989	7,935,356
Operating Expenses					
Cost of water	5,758,969	-	-	5,758,969	-
Cost of sewage disposal	8,923,291	-	-	8,923,291	-
System maintenance and operation	4,854,095	-	-	4,854,095	-
General and administrative	1,000,917	-	-	1,000,917	-
Depreciation	2,409,802	168,533	195,909	2,774,244	-
Reinsurance charges and claims	-	-	-	-	8,150,970
Salaries and wages	-	308,589	263,253	571,842	-
Supplies	-	9,919	177,991	187,910	-
Other services and charges	-	240,786	1,071,119	1,311,905	-
Total operating expenses	22,947,074	727,827	1,708,272	25,383,173	8,150,970
Operating Income (Loss)	(209,768)	508,261	48,323	346,816	(215,614)
Nonoperating Revenue (Expense)					
Interest income	209,316	8,256	57	217,629	88,876
Interest expense	(556,299)	(242,336)	(21,270)	(819,905)	-
Total nonoperating revenue (expense)	(346,983)	(234,080)	(21,213)	(602,276)	88,876
Income (Loss) - Before contributions and transfers	(556,751)	274,181	27,110	(255,460)	(126,738)
Capital Contributed from Developers and Grants	1,289,826	-	-	1,289,826	-
Transfers In (Note 5)	-	-	43,919	43,919	-
Transfers Out (Note 5)	-	(87)	(327,000)	(327,087)	-
Change in Net Assets	733,075	274,094	(255,971)	751,198	(126,738)
Net Assets - Beginning of year	77,366,289	1,678,404	5,595,330	84,640,023	6,057,643
Net Assets - End of year	<u>\$ 78,099,364</u>	<u>\$ 1,952,498</u>	<u>\$ 5,339,359</u>	<u>\$ 85,391,221</u>	<u>\$ 5,930,905</u>
Net Change in Net Assets - Total Enterprise Funds				\$ 751,198	
Amounts reported for business-type activities in the statement of activities are different because the Internal Service Fund is allocated partially to business-type activities				421,703	
Change in Net Assets of Business-type Activities				<u>\$ 1,172,901</u>	

City of Livonia, Michigan

Proprietary Funds Statement of Cash Flows Year Ended November 30, 2004

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
	Water and Sewer	Housing	Golf Course		
Cash Flows from Operating Activities					
Receipts from customers	\$ 22,408,162	\$ 1,236,403	\$ 1,742,976	\$ 25,387,541	\$ 7,935,356
Payments to suppliers	(17,018,012)	(254,527)	(940,274)	(18,212,813)	(8,035,354)
Payments to employees	(4,322,954)	(310,553)	(249,144)	(4,882,651)	-
Other receipts (disbursements)	(22,374)	1,661	-	(20,713)	-
Net cash provided by (used in) operating activities	1,044,822	672,984	553,558	2,271,364	(99,998)
Cash Flows from Noncapital Financing Activities - Net transfers to other funds	-	(87)	(283,081)	(283,168)	-
Cash Flows from Capital and Related Financing Activities					
Contributions from customers	256,317	-	-	256,317	-
Grant reimbursements	113,109	-	-	113,109	-
Principal and interest paid on long-term debt	(1,781,452)	(645,921)	(320,584)	(2,747,957)	-
Purchase of capital assets	(2,140,622)	(10,677)	(6,990)	(2,158,289)	-
Net cash used in capital and related financing activities	(3,552,648)	(656,598)	(327,574)	(4,536,820)	-
Cash Flows from Investing Activities					
Interest received on investments	209,316	8,256	57	217,629	88,876
Net (purchases) sales of investment activities	399,607	(6,684)	41,639	434,562	3,003
Net cash provided by investing activities	608,923	1,572	41,696	652,191	91,879
Net Increase (Decrease) in Cash and Cash Equivalents	(1,898,903)	17,871	(15,401)	(1,896,433)	(8,119)
Cash and Cash Equivalents - December 1, 2003	11,957,880	385,450	15,401	12,358,731	5,473,892
Cash and Cash Equivalents - November 30, 2004	\$ 10,058,977	\$ 403,321	\$ -	\$ 10,462,298	\$ 5,465,773
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 10,680,976	\$ 552,494	\$ -	\$ 11,233,470	\$ 7,487,360
Restricted assets (Note 8)	1,988,563	-	-	1,988,563	-
Total cash and cash equivalents	12,669,539	552,494	-	13,222,033	7,487,360
Less investments	(2,610,562)	(149,173)	-	(2,759,735)	(2,021,587)
Net cash and cash equivalents	\$ 10,058,977	\$ 403,321	\$ -	\$ 10,462,298	\$ 5,465,773

City of Livonia, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended November 30, 2004

	Major Enterprise Funds		Nonmajor Enterprise Fund		
	Water and Sewer	Housing	Golf Course	Total Enterprise Funds	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ (209,768)	\$ 508,261	\$ 48,323	\$ 346,816	\$ (215,614)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	2,409,802	168,533	195,909	2,774,244	-
Changes in assets and liabilities:					
Receivables	(357,087)	315	(13,619)	(370,391)	-
Inventory, prepaids, and deposits	(52,524)	-	-	(52,524)	(14,299)
Accounts payable	(757,990)	(3,352)	309,873	(451,469)	-
Accrued and other liabilities	26,867	(2,434)	13,072	37,505	129,915
Deferred revenue	(14,478)	-	-	(14,478)	-
Bonds and deposits	-	1,661	-	1,661	-
Net cash provided by (used in) operating activities	<u>\$ 1,044,822</u>	<u>\$ 672,984</u>	<u>\$ 553,558</u>	<u>\$ 2,271,364</u>	<u>\$ (99,998)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended November 30, 2004, developers constructed water and sewer lines with an estimated value of \$920,400 and donated them to the City's Water and Sewer Fund. The City also amortized the deferred charge on refunding totaling \$60,014.

City of Livonia, Michigan

Fiduciary Funds Statement of Net Assets November 30, 2004

	Pension and Other Employee Benefits	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 67,119	\$ 1,429,617
Investments (Note 3):	-	-
U.S. government securities	36,364,736	704,321
Common stock	102,174,014	-
Corporate bonds	41,479,011	-
Foreign stock	1,102,500	-
Mutual funds	19,718,176	-
Real estate investment trust	10,000,000	-
Bank investment pools	-	4,606,197
Investments held by broker-dealer and banks under securities loans:		
U.S. government securities	8,021,673	-
U.S. corporate fixed income	4,305,450	-
U.S. equities	12,738,801	-
Securities lending short-term collateral bank investment pool	- 25,788,274	- -
Other receivables	777,138	2,949
	<hr/>	<hr/>
Total assets	262,536,892	<u><u>\$ 6,743,084</u></u>
Liabilities		
Accounts payable	4,160,707	\$ 40,518
Due to other governmental units	-	4,289,657
Accrued and other liabilities	681,746	-
Bonds and deposits	-	2,412,909
Amounts due to broker under securities lending agreement	25,788,274	-
	<hr/>	<hr/>
Total liabilities	30,630,727	<u><u>\$ 6,743,084</u></u>
Net Assets - Held in trust for pension and other employee benefits	<u><u>\$ 231,906,165</u></u>	

City of Livonia, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Other Employee Benefits Trust Funds Year Ended November 30, 2004

Additions

Investment income:	
Interest and dividends	\$ 8,270,151
Net appreciation in fair value of investments	18,967,478
Less investment expenses	<u>(291,924)</u>
Net investment income	26,945,705
Securities lending income:	
Interest and fees	287,761
Less borrower rebates and bank fees	<u>(264,654)</u>
Total securities lending income	23,107
Contributions:	
Employer	5,859,287
Employee	<u>569,371</u>
Total contributions	<u>6,428,658</u>
Total additions	33,397,470

Deductions

Benefit payments	10,560,882
Medical benefit payments	4,685,004
Administrative expenses	153,725
Refunds of contributions	<u>921,610</u>
Total deductions	<u>16,321,221</u>

Net Increase 17,076,249

Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year	<u>214,829,916</u>
End of year	<u><u>\$ 231,906,165</u></u>

City of Livonia, Michigan

Component Units Statement of Net Assets November 30, 2004

	Economic Development Corporation	Plymouth Road Development Authority	Total Component Units
Assets			
Cash and cash equivalents	\$ 2,706	\$ 365,847	\$ 368,553
Capital assets (Note 4):			
Nondepreciable capital assets	-	474,448	474,448
Depreciable capital assets - Net	-	12,001,030	12,001,030
Total assets	2,706	12,841,325	12,844,031
Liabilities			
Accounts payable	-	76,032	76,032
Accrued and other liabilities	-	23,944	23,944
Noncurrent liabilities:			
Property tax liability	-	515,939	515,939
Due within one year	-	295,000	295,000
Due in more than one year	-	5,740,000	5,740,000
Total liabilities	-	6,650,915	6,650,915
Net Assets			
Invested in capital assets - Net of related debt	-	6,440,478	6,440,478
Unrestricted	2,706	(250,068)	(247,362)
Total net assets	<u>\$ 2,706</u>	<u>\$ 6,190,410</u>	<u>\$ 6,193,116</u>

City of Livonia, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - General government	\$ 1,500	\$ -	\$ -	\$ -
Plymouth Road Development Authority:				
Community and economic development	1,919,646	-	380	-
Interest on long-term debt	<u>289,191</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Plymouth Road Development Authority	<u>2,208,837</u>	<u>-</u>	<u>380</u>	<u>-</u>
Total governmental activities	<u>\$ 2,210,337</u>	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ -</u>
General revenues:				
Taxes				
Interest				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Component Units
Statement of Activities
November 30, 2004**

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Economic</u>	<u>Plymouth Road</u>	
<u>Development</u>	<u>Development</u>	
<u>Corporation</u>	<u>Authority</u>	<u>Total</u>
\$ (1,500)	\$ -	\$ (1,500)
-	(1,919,266)	(1,919,266)
-	(289,191)	(289,191)
-	(2,208,457)	(2,208,457)
(1,500)	(2,208,457)	(2,209,957)
-	1,451,043	1,451,043
15	9,358	9,373
15	1,460,401	1,460,416
(1,485)	(748,056)	(749,541)
4,191	6,938,466	6,942,657
<u>\$ 2,706</u>	<u>\$ 6,190,410</u>	<u>\$ 6,193,116</u>

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Livonia, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Livonia, Michigan:

Reporting Entity

The City of Livonia, Michigan's legislative branch consists of an elected seven-member council. The City's administration operates under the overall direction of an elected mayor. The accompanying financial statements present the City and its component units. The component units are entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - The Municipal Building Authority of Livonia is governed by a board that is appointed by the mayor. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor Debt Service Fund.

The City of Livonia Employees' Retirement System and the City of Livonia Health and Disability Plan have been blended into the City's financial statements. These systems are governed by a five-member Pension Board that includes three individuals chosen by the City Council and/or the mayor. The systems are reported as if they were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of each system. The operations of the Employees' Retirement System and the City of Livonia Health and Disability Plan are reported as a Pension and Other Employee Benefits Fiduciary Fund.

Note I - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units - The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of eight individuals, is selected by the mayor and approved by the City Council. Internally prepared financial statements for the EDC can be obtained from the City of Livonia Finance Department at 33000 Civic Center Drive, Livonia, MI 48154.

The Plymouth Road Development Authority was created to encourage additional economic activity and growth in the Plymouth Road business district. The Authority's governing body, which consists of 12 individuals, is selected by the mayor and approved by the City Council. Internally prepared financial statements for the Plymouth Road Development Authority can be obtained from the City of Livonia Finance Department at 33000 Civic Center Drive, Livonia, MI 48154.

The City has excluded the Housing Commission from this report. Even though the City appoints the Housing Commission's directors, it does not have the ability to impose its will.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or segment (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not applicable to specific programs are reported instead as general revenue.

Note I - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and certain federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Refuse Disposal Fund - The Refuse Disposal Fund accounts for the operations of the refuse disposal activities of the City. Funding is provided primarily through a local property tax levy.

Community Recreation Fund - The Community Recreation Fund accounts for the activities of the Livonia Community Recreation Center, ice rinks, and certain other recreation activities. Funding is provided primarily by a local property tax levy and user charges.

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system. Funding is provided primarily through user charges.

Housing Fund - The Housing Fund accounts for the Newburgh and Silver Village residential rental facilities. Funding is provided primarily through user charges.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to fund general, workers' compensation, and employee health care liability claims and to purchase insurance that provides excess general liability coverage for City employees and property. The fund is financed primarily by charges to the various departments of the City.

Pension and Other Employee Benefits Trust Funds - The Pension and Other Employee Benefits Trust Fund accounts for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund (Water and Sewer Fund) relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Properties are assessed as of December 31 and the related property taxes become a lien when billed. These taxes are billed on July 1 and December 1 of the following year, and are due on September 14 and February 14, respectively. After the final collection date of February 28, real property taxes are added to the county tax rolls.

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2003 taxable valuation of the City of Livonia totaled \$4.577 billion (a portion of which is abated and a portion of which is captured by the PRDA), on which ad valorem taxes levied consisted of 4.0476 mills for operating purposes, .8094 mills for police, 1.2143 mills for police and fire, .8094 mills for the library, 2.5768 mills for refuse and recycling, .7861 mills for recreation, .0114 mills for industrial development, .2757 mills for debt service, and .8900 mills for roads, sidewalks, and trees. This resulted in \$17.62 million for operating purposes, \$3.47 million for police, \$5.34 million for police and fire, \$3.54 million for the library, \$11.27 million for refuse and recycling, \$.27 million for industrial development, \$1.21 million for debt service, and \$3.90 million for roads, sidewalks, and trees. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

The delinquent real property taxes of the City are purchased by Wayne County. The county sells tax notes, the proceeds of which are used to pay the City for these property taxes. Wayne County remitted its purchased delinquent real property taxes in August 2004. Wayne County delinquent real property taxes have been recorded as revenue in the current year.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the Investment Agency Fund is generally allocated to each fund using a weighted average of balance for the principal held for each fund on a daily basis.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. Unspent bond proceeds have also been set aside for construction. These amounts have been classified as restricted assets, as well as amounts on deposit at the county and the state being held for the construction and debt service. The Street Improvement Capital Projects Fund, 1990 Street Improvement Capital Projects Fund, and the Community Recreation Capital Projects Fund all have unspent bond proceeds that have been set aside for construction and that have been classified as restricted assets. The Municipal Building Authority and Other Debt Service Fund has unspent bond proceeds set aside for debt service that has been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	33 to 40 years
Road rights	33 years
Buildings and improvements	20 to 50 years
Machinery, equipment, and vehicles	2 to 20 years
Water and sewer distribution systems	50 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Under the City's policy, employees earn benefits based on time of service with the City. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at December 1, 2003	\$ (1,957,792)
Current year building permit revenue	2,274,666
Related expenses:	
Direct costs	\$ 1,469,157
Estimated indirect costs	<u>432,546</u>
Total construction code expenses	<u>1,901,703</u>
Cumulative shortfall at November 30, 2004	<u><u>\$ (1,584,829)</u></u>

Fund Deficits - The City has an accumulated fund deficit in the Plymouth Road Development Authority Fund that will be eliminated through future tax collections. A plan is being filed with the Local Audit and Finance Division of the State of Michigan.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Note 3 - Deposits and Investments (Continued)

The Pension Trust Fund is authorized by Michigan Public Act 485 of 1996 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$100 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

As permitted by State statutes, and under the provisions of a Securities Lending Authorization Agreement, the City of Livonia's Employees' Retirement System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The City of Livonia Employees' Retirement System custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended November 30, 2004, only United States currency was received as collateral.

The City of Livonia Employees' Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of November 30, 2004 was 140 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On November 30, 2004, the City of Livonia Employees' Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the City of Livonia Employees' Retirement System as of November 30, 2004 were \$25,788,273 and \$25,065,924, respectively.

The City of Livonia Employees' Retirement System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The City of Livonia, Michigan's deposits and investment policies are in accordance with statutory authority.

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 3 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Unit
Cash and investments	\$ 36,046,726	\$ 12,073,265	\$ 48,119,991	\$ 268,499,889	\$ 368,553
Restricted assets (Note 8)	<u>2,404,702</u>	<u>1,988,563</u>	<u>4,393,265</u>	<u>-</u>	<u>-</u>
Total cash, investments, and restricted assets	<u>\$ 38,451,428</u>	<u>\$ 14,061,828</u>	<u>\$ 52,513,256</u>	<u>\$ 268,499,889</u>	<u>\$ 368,553</u>

Deposits

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Fiduciary Funds	Component Unit
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 28,467,551	\$ 1,496,736	\$ 368,553
Investments in securities, mutual funds, and similar vehicles	24,028,970	267,003,153	-
Petty cash and cash on hand	<u>16,735</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 52,513,256</u>	<u>\$ 268,499,889</u>	<u>\$ 368,553</u>

The bank balance of the City's deposits is \$30,478,886, of which \$900,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Deposits and Investments (Continued)

Component Units

The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$414,270, of which \$100,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized.

Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at November 30, 2004. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent in the City's name

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the City's name

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 3 - Deposits and Investments (Continued)

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:				
Bank investment pools	\$ 10,413,147	\$ -	\$ -	\$ 10,413,147
U.S. government securities	13,615,823	-	-	13,615,823
Total primary government	<u>\$ 24,028,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,028,970</u>
Fiduciary funds:				
U.S. government securities	\$ 36,364,736	\$ -	\$ -	\$ 37,069,057
Common stocks	102,174,014	-	-	102,174,014
Corporate bonds	41,479,011	-	-	41,479,011
Foreign bonds	1,102,500	-	-	1,102,500
Real estate investment trust	10,000,000	-	-	10,000,000
Subtotal	<u>191,120,261</u>	<u>-</u>	<u>-</u>	<u>191,824,582</u>
Investments not subject to categorization:				
Mutual funds and other	-	-	-	19,718,176
Bank investment pools	-	-	-	4,606,197
Investments held by broker-dealer and banks under securities loans:				
U.S. government securities	-	-	-	8,021,673
U.S. corporate fixed income	-	-	-	12,738,801
U.S. equities	-	-	-	4,305,450
Securities lending short-term collateral bank investment pool	-	-	-	25,788,274
Total fiduciary funds	<u>\$ 191,120,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 267,003,153</u>

The bank investment pools and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The investments held by broker-dealers and banks under securities loans are not categorized because the corresponding collateral is recorded in the financial statements. The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the pool is the same as the value of the pool shares.

Note 3 - Deposits and Investments (Continued)

Included in the City Pension Trust Fund investments at November 30, 2004 are the following:

- Approximately \$2,997,000 of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$42,536,000 of collateralized mortgage obligations (or obligations of the Federal National Mortgage Association). These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$7,481,000 of collateralized debt securities issued by various corporations. These investments are backed by the full faith and credit of each respective corporation. The yields provided by these securities historically have exceeded the yields on other types of corporate debt with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance December 1, 2003	Additions	Disposals and Adjustments	Balance November 30, 2004
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 34,181,310	\$ -	\$ -	\$ 34,181,310
Construction in progress	-	114,593	-	114,593
Subtotal	34,181,310	114,593	-	34,295,903
Capital assets being depreciated:				
Infrastructure	59,720,469	4,304,213	-	64,024,682
Road rights	14,811,951	462,349	-	15,274,300
Buildings and improvements	90,146,624	250,486	-	90,397,110
Equipment and vehicles	24,578,604	2,320,477	(839,219)	26,059,862
Subtotal	189,257,648	7,337,525	(839,219)	195,755,954
Accumulated depreciation:				
Infrastructure	22,315,691	1,771,348	-	24,087,039
Road rights	3,334,505	449,431	-	3,783,936
Buildings and improvements	22,123,381	2,053,441	-	24,176,822
Equipment and vehicles	15,171,277	2,058,765	(807,633)	16,422,409
Subtotal	62,944,854	6,332,985	(807,633)	68,470,206
Net capital assets being depreciated	126,312,794	1,004,540	(31,586)	127,285,748
Net governmental capital assets	\$ 160,494,104	\$ 1,119,133	\$ (31,586)	\$ 161,581,651

Note 4 - Capital Assets (Continued)

	Balance December 1, 2003	Additions	Disposals and Adjustments	Balance November 30, 2004
Business-type Activities				
Water and sewer capital assets:				
Capital assets not being depreciated -				
Construction in progress	\$ 295,764	\$ 1,651,525	\$ (416,713)	\$ 1,530,576
Capital assets being depreciated:				
Buildings and improvements	934,205	-	-	934,205
Vehicles	1,527,469	299,714	(145,955)	1,681,228
Machinery and equipment	831,567	143,090	(37,200)	937,457
Water and sewer distribution systems	109,744,246	1,346,014	-	111,090,260
Subtotal	113,037,487	1,788,818	(183,155)	114,643,150
Accumulated depreciation:				
Buildings and improvements	418,096	18,684	-	436,780
Vehicles	1,102,223	137,307	(220,545)	1,018,985
Machinery and equipment	667,624	57,822	-	725,446
Water and sewer distribution systems	41,814,150	2,195,989	-	44,010,139
Subtotal	44,002,093	2,409,802	(220,545)	46,191,350
Net capital assets being depreciated	69,035,394	(620,984)	37,390	68,451,800
Net water and sewer capital assets	69,331,158	1,030,541	(379,323)	69,982,376
Golf course capital assets:				
Capital assets not being depreciated -				
Land	3,582,488	-	-	3,582,488
Capital assets being depreciated:				
Buildings and improvements	1,602,329	-	-	1,602,329
Land improvements	2,342,792	-	-	2,342,792
Machinery and equipment	815,549	6,989	-	822,538
Subtotal	4,760,670	6,989	-	4,767,659
Accumulated depreciation:				
Buildings and improvements	454,638	32,047	-	486,685
Land improvements	1,362,209	117,140	-	1,479,349
Machinery and equipment	339,753	46,722	-	386,475
Subtotal	2,156,600	195,909	-	2,352,509
Net capital assets being depreciated	2,604,070	(188,920)	-	2,415,150
Net golf course capital assets	6,186,558	(188,920)	-	5,997,638

Note 4 - Capital Assets (Continued)

	Balance December 1, 2003	Additions	Disposals and Adjustments	Balance November 30, 2004
Business-type Activities (Continued)				
Housing Fund:				
Capital assets not being depreciated -				
Land	\$ 1,581,948	\$ -	\$ -	\$ 1,581,948
Capital assets being depreciated:				
Buildings and improvements	6,881,386	10,676	-	6,892,062
Land improvements	537,954	-	-	537,954
Vehicles	44,310	-	-	44,310
Machinery and equipment	39,780	-	-	39,780
Subtotal	7,503,430	10,676	-	7,514,106
Accumulated depreciation:				
Buildings and improvements	2,089,503	137,825	-	2,227,328
Land improvements	350,997	20,870	-	371,867
Vehicles	18,281	6,386	-	24,667
Machinery and equipment	5,495	3,452	-	8,947
Subtotal	2,464,276	168,533	-	2,632,809
Net capital assets being depreciated	5,039,154	(157,857)	-	4,881,297
Net Housing Fund capital assets	6,621,102	(157,857)	-	6,463,245
Net business-type activity capital assets	<u>\$ 82,138,818</u>	<u>\$ 683,764</u>	<u>\$ (379,323)</u>	<u>\$ 82,443,259</u>

Capital asset activity for the City of Livonia's component units for the year was as follows:

	Balance December 1, 2003	Additions	Disposals and Adjustments	Balance November 30, 2004
Component Units - Plymouth Road				
Development Authority				
Capital assets not being depreciated - Land	\$ 474,448	\$ -	\$ -	\$ 474,448
Capital assets being depreciated - Land improvements	14,819,142	264,324	-	15,083,466
Accumulated depreciation - Land improvements	2,340,928	741,508	-	3,082,436
Net capital assets being depreciated	12,478,214	(477,184)	-	12,001,030
Net component unit capital assets	<u>\$ 12,952,662</u>	<u>\$ (477,184)</u>	<u>\$ -</u>	<u>\$ 12,475,478</u>

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 502,280
Public safety	1,358,524
Public works	2,785,144
Recreation and culture	<u>1,687,037</u>

Total governmental activities	<u>\$ 6,332,985</u>
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Business-type activities:

Water and sewer	\$ 2,409,802
Housing	195,909
Golf course	<u>168,533</u>

Total business-type activities	<u>\$ 2,774,244</u>
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Construction Commitments - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Street projects	\$ 6,188,125	\$ 1,045,438
Storm water retention project	<u>677,301</u>	<u>512,199</u>
Total	<u>\$ 6,865,426</u>	<u>\$ 1,557,637</u>

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental fund	Nonmajor governmental fund	\$ 3,682
Refuse Disposal System Fund	General Fund	13,144
Total		<u>\$ 16,826</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Nonmajor governmental funds	\$ 1,141,748 *
Community Recreation Fund	Nonmajor governmental funds	2,100,718 **
Housing Fund	Nonmajor governmental funds	87
Nonmajor governmental funds	General Fund	860,636
	Nonmajor governmental funds	4,988,463 ***
	Nonmajor Enterprise Funds	<u>43,919</u>
Total nonmajor governmental funds		5,893,018
Nonmajor Enterprise Funds	General Fund	<u>327,000</u>
	Total	<u>\$ 9,462,571</u>

* Transfer of unrestricted resources to finance capital projects and general obligation debt service in accordance with budgetary authorizations

** Transfer to a Debt Service Fund to be used to service Community Recreation Fund debt

*** Primarily transfers of gas and weight tax revenues among the Major Streets Fund, Local Streets Fund, and Road Fund in accordance with Act 51

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 6 - Leases

Capital Leases - The City has entered into a lease agreement as lessee for financing the purchase of police and fire, district court, golf course, and energy conservation equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

<u>Years Ending November 30</u>	<u>Governmental Activities</u>
2005	\$ 1,021,245
2006	1,005,096
2007	676,512
2008	69,421
2009	69,421
2010	69,421
2011	<u>69,421</u>
Total minimum lease payments	2,980,537
Less amount representing interest	<u>(241,458)</u>
Present value at November 30, 2004	<u><u>\$ 2,739,079</u></u>

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Capital lease obligations are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:							
Building Authority Bonds:							
1991 District Court Improvements Bonds							
Amount of Issue - \$650,000	5.00% -	\$60,000 -					
Maturing through 2006	6.70%	\$255,000	\$ 195,000	\$ -	\$ (60,000)	\$ 135,000	\$ 65,000
1992 MBA Refinancing Bonds							
Amount of Issue - \$2,872,614	2.70% -						
Maturing through 2004	5.75%	\$346,818	346,818	-	(346,818)	-	-
1996 MBA Refinancing Bonds							
Amount of Issue - \$391,333							
Maturing through 2005	4.70%	\$391,333	391,333	-	-	391,333	391,333
1999 MBA Refinancing Bonds							
Amount of Issue - \$2,985,000	3.30% -	\$430,000 -					
Maturing through 2006	4.00%	\$485,000	1,385,000	-	(430,000)	955,000	470,000
1998 MBA Fire Station Bonds							
Amount of Issue - \$1,700,000	4.70% -	\$65,000 -					
Maturing through 2018	5.00%	\$130,000	1,430,000	-	(65,000)	1,365,000	65,000
2000 Recreation Bonds							
Amount of Issue - \$3,000,000	5.00% -	\$50,000 -					
Maturing through 2025	5.60%	\$175,000	2,850,000	-	(50,000)	2,800,000	50,000
2001 Recreation Bonds							
Amount of Issue - \$33,500,000	4.30% -	\$235,000 -					
Maturing through 2030	5.25%	\$1,650,000	33,245,000	-	(235,000)	33,010,000	330,000
Street and Highway General Obligation Unlimited Tax Bonds:							
1990 Street Improvement Bonds							
Amount of Issue - \$1,500,000		\$150,000 -					
Maturing through 2005	6.00%	\$175,000	325,000	-	(150,000)	175,000	175,000

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities (Continued):							
Street and Highway Bonds (Continued):							
1993 Road Improvement Bonds							
Amount of Issue - \$3,500,000		\$275,000 -					
Maturing through 2008	4.25%	\$400,000	\$ 1,725,000	\$ -	\$ (275,000)	\$ 1,450,000	\$ 300,000
2002 General Obligation Refunding Bonds							
Amount of Issue - \$2,385,000	2.00% -	\$660,000 -					
Maturing through 2007	3.00%	\$740,000	2,315,000	-	(660,000)	1,655,000	660,000
Special Assessment Bonds:							
1989 Special Assessment Limited Tax Bonds							
Amount of Issue - \$1,705,000							
Maturing through 2005	7.50%	\$75,000	150,000	-	(75,000)	75,000	75,000
1990 Special Assessment Limited Tax Bonds							
Amount of Issue - \$1,750,000		\$85,000 -					
Maturing through 2005	6.00%	\$90,000	170,000	-	(85,000)	85,000	85,000
Capital Lease Obligations:							
Bank One - Energy Conservation Equipment							
Amount of Issue - \$3,651,237							
Maturing through 2007	2.57%	\$229,763 - \$389,808	1,684,989	-	(389,581)	1,295,408	410,062
Fire Truck Pumper							
Amount of Issue-\$485,000							
Maturing through 2011	3.39%	\$55,288- \$67,690	-	485,000	(55,797)	429,203	55,288
Comerica Bank:							
Police, Fire, and DPW Radio							
16th District Court - Computer System Lease							
Amount of Issue - \$1,500,000							
Maturing through 2004	2.15%	\$13,354	13,354	-	(13,354)	-	-
Police Computer							
Amount of Issue - \$1,900,000							
Maturing through 2006	5.10%	\$316,667	950,000	-	(316,667)	633,333	316,667
Fire Truck Pumper							
Amount of Issue - \$612,450		\$55,798-					
Maturing through 2007	3.78%	\$66,533	498,958	-	(117,823)	381,135	122,318
Other long-term obligations:							
General liability claims, workers' compensation, and health insurance claims							
			1,325,444	405,737	-	1,731,181	-
Landfill closure and post-closure liability							
			-	651,780		651,780	-
Compensated absences							
			7,457,121	-	(405,076)	7,052,045	3,243,372
Total governmental activities			56,458,017	1,542,517	(3,730,116)	54,270,418	6,814,040

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:							
Building Authority Bonds:							
1989 MBA Fox Creek Clubhouse Bonds							
Amount of Issue - \$975,000	8.35% -						
Maturing through 2004	9.20%	\$50,000	\$ 100,000	\$ -	\$ (50,000)	\$ 50,000	\$ 50,000
1992 MBA Refinancing Bonds							
Amount of Issue - \$1,460,629	2.70% -						
Maturing through 2004	5.75%	\$198,182	198,182	-	(198,182)	-	-
1996 MBA Refinancing Bonds							
Amount of Issue - \$208,711							
Maturing through 2005	4.70%	\$208,711	208,711	-	-	208,711	208,711
1996 MBA Refinancing Bonds							
Amount of Issue - \$4,939,956	3.60% -	\$270,000 -					
Maturing through 2015	5.20%	\$510,000	4,589,956	-	(270,000)	4,319,956	284,956
1999 MBA Refinancing Bonds							
Amount of Issue - \$1,210,000	3.30% -	\$130,000 -					
Maturing through 2008	4.15%	\$135,000	630,000	-	(130,000)	500,000	130,000
Water Supply and Wastewater System Bonds:							
2000 Water Supply and Wastewater System							
Revenue Bonds							
Amount of Issue - \$5,000,000	5.125% -	\$125,000 -					
Maturing through 2020	5.30%	\$450,000	4,675,000	-	(125,000)	4,550,000	125,000
2002 Water Supply and Wastewater System							
Revenue Refunding Bonds							
Amount of Issue - \$9,300,000	2.00% -	\$935,000 -					
Maturing through 2012	3.35%	\$1,005,000	8,395,000	-	(935,000)	7,460,000	885,000
Less deferred amount on refunding			(467,434)	-	60,013	(407,421)	
County contractual obligations:							
1965 Wayne County Sewage Disposal - Series III							
Amount of Issue - \$4,340,000							
Maturing through 2004	3.60%	\$200,000	200,000	-	(200,000)	-	-
State Revolving Fund Loan - N. Huron Valley/ Rouge							
Valley Wastewater Control System							
Amount of Issue - \$14,428,703		\$20,000 -					
Maturing through 2021	2.25%	\$25,000	350,000	-	(20,000)	330,000	20,000
Capital Lease Obligations:							
Comerica Bank - Fox Creek Irrigation System							
Amount of Issue - \$391,828							
Maturing through 2004	2.15%	\$42,993	42,993	-	(42,993)	-	-
Other long-term obligations:							
General liability claims, workers'							
compensation, and health insurance							
claims			442,793		(275,824)	166,969	-
Compensated absences			434,689	-	(4,332)	430,357	198,173
Total business-type activities			19,799,890	-	(2,191,318)	17,608,572	1,901,840
Total governmental and							
business-type activities			\$ 76,257,907	\$ 1,542,517	\$ (5,921,434)	\$ 71,878,990	\$ 8,715,880

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component units							
1998 Downtown Development Bonds:							
Amount of Issue - \$7,500,000	4.60% -	\$280,000 -					
Maturing through 2018	4.70%	\$585,000	\$ 6,315,000	\$ -	\$ (280,000)	\$ 6,035,000	\$ 295,000
Other long-term obligations:							
Property Tax Settlement			-	515,939	-	515,939	-
Total component unit activity			\$ 6,315,000	\$ 515,939	\$ (280,000)	\$ 6,550,939	\$ 295,000

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 3,570,668	\$ 2,129,261	\$ 5,699,929	\$ 1,643,654	\$ 705,764	\$ 2,349,418
2006	3,097,204	1,987,816	5,085,020	1,429,987	655,262	2,085,249
2007	1,874,955	1,878,239	3,753,194	1,479,987	606,007	2,085,994
2008	1,166,175	1,802,221	2,968,396	1,524,987	552,191	2,077,178
2009	873,275	1,753,953	2,627,228	1,459,985	493,939	1,953,924
2010-2014	6,283,135	7,947,207	14,230,342	6,252,025	1,568,729	7,820,754
2015-2019	8,820,000	6,015,659	14,835,659	2,777,185	488,705	3,265,890
2020-2024	9,075,000	3,736,750	12,811,750	443,436	23,850	467,286
2025-2029	8,425,000	1,502,274	9,927,274	-	-	-
2030	1,650,000	43,313	1,693,313	-	-	-
Total	\$ 44,835,412	\$ 28,796,693	\$ 73,632,105	\$ 17,011,246	\$ 5,094,447	\$ 22,105,693

	Component Units		
	Principal	Interest	Total
2005	\$ 295,000	\$ 276,602	\$ 571,602
2006	310,000	262,495	572,495
2007	330,000	247,455	577,455
2008	350,000	231,475	581,475
2009	365,000	214,673	579,673
2010-2014	2,180,000	785,605	2,965,605
2015-2019	2,205,000	213,263	2,418,263
Total	\$ 6,035,000	\$ 2,231,568	\$ 8,266,568

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 7 - Long-term Debt (Continued)

Defeased Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At November 30, 2004, \$20,995,000 of bonds outstanding are considered defeased.

No Commitment Debt - The City has issued Industrial Development Revenue Bonds and Economic Development Corporation bonds, under state law which authorizes municipalities under certain circumstances to acquire and lease industrial sites, buildings, and equipment and lease them to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. As of November 30, 2004, there is approximately \$61,367,000 no commitment debt outstanding.

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities					Business-type Activities
	Municipal Building Authority and Other Debt Service Fund	Street Improvement Capital Project Fund	1990 Street Improvement Capital Project Fund	Community Recreation Capital Project Fund	Total Governmental Activities	Water and Sewer Fund
Cash and cash equivalents:						
Revenue bond reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,385,197
Bond proceeds	<u>419,951</u>	<u>486,679</u>	<u>1,270,315</u>	<u>227,757</u>	<u>2,404,702</u>	<u>603,366</u>
Total cash and cash equivalents	419,951	486,679	1,270,315	227,757	2,404,702	1,988,563
Assets held by Wayne County	-	-	-	-	-	233,938
Receivable from Wayne County	<u>-</u>	<u>-</u>	<u>197,406</u>	<u>-</u>	<u>197,406</u>	<u>-</u>
Total restricted assets	<u>\$ 419,951</u>	<u>\$ 486,679</u>	<u>\$ 1,467,721</u>	<u>\$ 227,757</u>	<u>\$ 2,602,108</u>	<u>\$ 2,222,501</u>

Note 8 - Restricted Assets (Continued)

Governmental Activities - The governmental activities have unspent bond proceeds relating to debt issued for the construction of streets, police computer upgrades, and the Livonia Community Recreation Center. The City also has a receivable from Wayne County relating to street construction financed by the City on behalf of the County with bond proceeds.

Business-type Activities - At November 30, 2004, the City was in compliance with the provisions of the Water Supply and Wastewater System Revenue bonds. Net assets have been restricted for \$1,385,197 at November 30, 2004.

Bond proceeds held in the amount of \$603,366 in the Water and Sewer Fund relate to excess funds from the 2000 Water Supply and Wastewater System Revenue bonds to be used for future water and sewer obligations. Net assets have not been restricted at November 30, 2004.

The City also has assets of \$233,938 held at Wayne County that are restricted for future water and sewer obligations. Net assets have not been restricted at November 30, 2004.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits and workers' compensation and participates in the Michigan Municipal Risk Management Authority (the "Authority").

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

Note 9 - Risk Management (Continued)

The City estimates the liability for general liability, workers' compensation, and medical claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Self-insurance Internal Service Fund. The estimated liability for property loss, general liability, workers' compensation, and medical claims is recorded within the governmental activities and business-type activities columns of the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Workers' Compensation		Medical Claims	
	2004	2003	2004	2003	2004	2003
Estimated liability -						
Beginning of year	\$ 479,891	\$ 876,244	\$ 958,403	\$ 1,524,364	\$ 329,943	\$ 538,143
Estimated claims						
incurred, including						
changes in estimates	1,532,170	813,792	469,626	357,207	6,209,209	4,659,675
Claim payments	(1,475,690)	(1,210,145)	(394,646)	(923,168)	(6,210,754)	(4,867,875)
Estimated liability -						
End of year	\$ 536,371	\$ 479,891	\$ 1,033,383	\$ 958,403	\$ 328,398	\$ 329,943

Note 10 - Pension Plans

Retirement System

Plan Description - The City of Livonia Employees' Retirement System (the "System") is a single-employer defined benefit pension plan that is administered by the City of Livonia Employees' Retirement System; this plan covers the following employees of the City unless they elected to transfer to the City's 401(a) defined contribution pension plan (see Note 11):

- General employee members - All members hired prior to March 17, 1997 and their beneficiaries
- Police lieutenant and sergeant members - All members hired prior to December 8, 1997 and their beneficiaries
- Police officer members - All members hired prior to November 24, 1998 and their beneficiaries
- Fire fighter members - All members hired prior to July 1, 1998 and their beneficiaries

Note 10 - Pension Plans (Continued)

The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At November 30, 2003, the date of the most recent actuarial valuation, membership consisted of 556 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 304 current active employees. The System does not issue a separate financial report.

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees from 2.55 percent to 5.21 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Cost - For the year ended November 30, 2004, the City was not required to and did not make a contribution. The annual required contribution was determined as part of an actuarial valuation at November 30, 2002 using the aggregate actuarial cost method. Significant actuarial assumptions used include (a) an 8.25 percent rate of return, (b) projected salary increases of 4.75 percent to 12.67 percent per year, and (c) \$240 increases annually in each of the first six years after retirement. Both (a) and (b) include an inflation component of 4.75 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is the expected future working lifetime.

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 10 - Pension Plans (Continued)

Reserves - As of November 30, 2004, the plan's reserves have been fully funded as follows:

Legally required reserves:

Reserve for employees' contributions	\$ 8,818,306
Reserve for retired benefit payments	78,494,446
Additional reserves - Reserve for employer contributions	<u>107,068,503</u>
Total reserves	<u>\$ 194,381,255</u>

	Fiscal Year Ended November 30		
	2002	2003	2004
Annual pension cost (APC)	\$ 417,464	\$ 392,639	\$ -
Percent of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Postemployment Health Care Benefit Plan

Plan Description - The City of Livonia Postemployment Health Care Benefit Plan is a single-employer defined benefit plan that is administered by the City of Livonia Employees' Retirement System; this plan covers all full-time employees included in the City's Defined Benefit Pension Plan (1) retiring on or after December 1, 1979, (2) retiring under disability provisions, and (3) retiring before December 1, 1979 if the person has attained age 65. The system provides postemployment health care benefits to plan members and their beneficiaries. On November 4, 1998, the City created a separate plan to cover all postemployment health care benefits of all defined benefit pension plan and defined contribution pension plan members. After this date, all postemployment health care benefit contributions are recorded as revenue in this new plan (see Note 11). However, benefit payments will continue to be paid out of the Postemployment Health Care Benefit Plan as long as reserve balances remain. At November 30, 2003, the date of the most recent actuarial valuation, membership consisted of 556 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 304 current active employees. The plan does not issue a separate financial report.

Note 10 - Pension Plans (Continued)

Contributions - Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires no contributions from the employees. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. As discussed above, there will be no contributions to the plan subsequent to November 4, 1998.

Reserves - As of November 30, 2004, the plan's legally required reserve for employees' postemployment health care benefits has been fully funded in accordance with the actuarial determined contributions in the amount of \$6,336,563.

	Fiscal Year Ended November 30		
	2002	2003	2004
Annual pension cost (APC)	\$ -	\$ -	\$ -
Percent of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 11 - Defined Contribution Pension Plan

The City established a defined contribution pension plan under Section 401(a) of the Internal Revenue Code for the following employees:

- General employee members - All members hired on or after March 17, 1997
- Police lieutenant and sergeant members - All members hired on or after December 8, 1997
- Police officer members - All members hired on or after November 24, 1998
- Fire fighter members - All members hired on or after July 1, 1998

In addition, the plan covers all employees electing to transfer from the City's defined benefit pension plan (see Note 10).

Note 11 - Defined Contribution Pension Plan (Continued)

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City of Livonia through collective bargaining agreements, the City contributes a percentage of employees' earnings as follows:

	Employees Transferring from the Defined Benefit Pension Plan		New Employees Hired After the Effective Dates Noted Above	
	Employer Contribution	Employee Contribution	Employer Contribution	Employee Contribution
General	12%	3.1% to 3.66%	7%	3.1% to 3.66%
Police lieutenants and sergeants	13%	5.21%	9%	5.21%
Police	13%	5%	9%	5%
Fire	13%	3.56%	11%	3.56%

The employee contribution percentages noted above represent the minimum required contribution. Employees are permitted to contribute additional amounts up to the maximum allowed by law.

The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after four years of service and are vested immediately for employees transferring from the existing defined benefit pension.

In accordance with the above requirements, the City contributed \$1,888,396 during the current year, and employees contributed \$671,860.

Note 12 - Postemployment Benefits

Effective November 4, 1998, the City created the City of Livonia Retiree Health and Disability Benefits Plan. The plan provides medical and health care benefits, including hospitalization and disability benefits, for the welfare of all retirees and their spouses and eligible dependents. After November 4, 1998, all contributions related to postemployment benefits for all members of the Defined Benefit Pension Plan and Defined Contribution Pension Plan and their beneficiaries will be recorded as revenue in the City's Other Employee Benefits Trust Fund.

Note 12 - Postemployment Benefits (Continued)

Eligibility - All retirees of the Defined Benefit Pension Plan and the Defined Contribution Pension Plan and their beneficiaries and future retirees who complete 10 years or more of credited service are eligible.

Contributions - Employer contributions to the trust are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the trust for these employees was established by negotiation with the City's collective bargaining units and requires no contributions from the employees. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Cost - For the year ended November 30, 2004, the City's annual post-employment cost of \$5,859,287 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at November 30, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.25 percent investment rate of return and (b) projected 6.5 percent annual rate for medical care inflation. Both (a) and (b) include an inflation component of 4.75 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 50 years for health and 30 years for disability.

Reserves - As of November 30, 2004, the trust reserves for employees' post-employment benefits have been fully funded as follows:

Reserve for health insurance	\$ 30,361,435
Reserve for disability insurance	<u>826,912</u>
Total reserves	<u><u>\$ 31,188,347</u></u>

City of Livonia, Michigan

Notes to Financial Statements November 30, 2004

Note 12 - Postemployment Benefits (Continued)

	Fiscal Year Ended November 30		
	2002	2003	2004
Annual pension cost (APC)	\$ 4,575,001	\$ 4,960,217	\$ 5,859,287
Percent of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending November 30, 2009.

Note 13 - Deferred Revenue

Governmental funds report deferred revenue in connection with revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and Enterprise Funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Governmental Activities	Business-type Activities
	Unavailable	Unearned	Total	Unearned	Unearned
Property tax, special assessment and other receivables	\$ 967,802	\$ -	\$ 967,802	\$ -	\$ -
Community Recreation Center annual passes	-	1,007,943	1,007,943	1,007,943	-
Interest receivable on sewer connections	-	-	-	-	966,728
Assets held at Wayne County	-	-	-	-	227,007
Grant payment received prior to meeting all eligibility requirements	-	204,810	204,810	204,810	-
Total	\$ 967,802	\$ 1,212,753	\$ 2,180,555	\$ 1,212,753	\$ 1,193,735

Required Supplemental Information

City of Livonia, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended November 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 26,852,729	\$ 26,852,729	\$ 26,698,535	\$ (154,194)
Licenses and Permits				
Business	139,400	139,400	148,246	8,846
Nonbusiness	1,425,200	1,687,700	2,347,650	659,950
Total licenses and permits	1,564,600	1,827,100	2,495,896	668,796
Intergovernmental Revenue				
State and local	10,107,352	10,107,352	9,166,074	(941,278)
Federal	80,000	80,000	112,893	32,893
Total intergovernmental revenue	10,187,352	10,187,352	9,278,967	(908,385)
Charges for Services	3,612,306	3,643,672	3,366,635	(277,037)
Interest	672,000	672,000	414,582	(257,418)
Fines and Forfeitures	3,372,000	4,251,000	3,730,818	(520,182)
Miscellaneous Revenue				
Rent and royalties	1,200,627	1,200,627	1,112,506	(88,121)
Sale of fixed assets	250,000	250,000	32,545	(217,455)
Other miscellaneous	1,879,890	1,949,890	1,876,476	(73,414)
Total miscellaneous revenue	3,330,517	3,400,517	3,021,527	(378,990)
Issuance of Debt	-	485,000	485,000	-
Total revenue	\$ 49,591,504	\$ 51,319,370	\$ 49,491,960	\$ (1,827,410)
Expenditures				
General Government				
Legislative:				
City Council	\$ 353,066	\$ 355,466	\$ 355,381	\$ 85
City Clerk	500,161	497,761	459,551	38,210
Elections	290,791	290,791	261,310	29,481
Total legislative	1,144,018	1,144,018	1,076,242	67,776
Judicial	2,420,573	2,420,573	2,392,902	27,671
Executive:				
Mayor's office	224,103	224,103	222,645	1,458
Administrative services	282,382	282,382	185,640	96,742
Total executive	506,485	506,485	408,285	98,200
Human resources:				
Labor relations	137,000	137,000	58,349	78,651
Civil service	729,839	629,839	624,594	5,245
Total human resources	866,839	766,839	682,943	83,896

City of Livonia, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended November 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)				
General Government (Continued)				
Financial administration:				
Accounting	\$ 426,348	\$ 426,348	\$ 421,637	\$ 4,711
Assessing	513,481	537,681	509,038	28,643
Finance	275,207	276,107	276,068	39
Independent audit	53,582	53,482	53,392	90
Board of Review	3,153	3,153	2,885	268
Treasurer	534,333	534,333	497,611	36,722
Data processing	557,702	557,702	519,225	38,477
Total financial administration	2,363,806	2,388,806	2,279,856	108,950
Other activities:				
Legal	634,258	634,258	632,493	1,765
Utilities and supplies	556,741	554,841	548,314	6,527
Acquisition of land	9,000	10,900	10,818	82
Research and investigation	24,000	24,000	24,000	-
Ethics board	2,658	2,658	1,678	980
Dues and subscriptions	57,000	57,000	50,756	6,244
Total other activities	1,283,657	1,283,657	1,268,059	15,598
Total general government	8,585,378	8,510,378	8,108,287	402,091
Public Safety				
Police:				
Traffic bureau	786,272	1,009,372	1,009,292	80
Administration	3,639,436	2,977,336	2,965,206	12,130
Detective bureau	2,306,429	2,343,129	2,343,036	93
Automotive service	368,402	384,002	383,903	99
Communications/Records bureau	816,128	816,728	795,226	21,502
Crossing guards	63,037	63,037	51,235	11,802
Dare/School Liaison	420,068	469,368	469,335	33
Reserve police	331,188	346,488	346,487	1
Patrol bureau	10,122,825	10,571,125	10,571,108	17
Intelligence bureau	1,508,449	1,530,149	1,530,146	3
Total police	20,362,234	20,510,734	20,464,974	45,760
Fire:				
Administration	763,489	761,769	741,235	20,534
Firefighting	9,004,894	9,567,980	9,017,860	550,120
Fire prevention	571,588	571,588	418,405	153,183
Total fire	10,339,971	10,901,337	10,177,500	723,837
Protective inspection:				
Building Code Board of Appeals	1,592	1,592	485	1,107
Inspection	1,117,166	1,117,166	1,100,956	16,210
Office of Emergency Preparedness	89,663	89,663	88,335	1,328
Traffic Commission	6,784	6,784	5,106	1,678
Total protective inspection	1,215,205	1,215,205	1,194,882	20,323
Total public safety	31,917,410	32,627,276	31,837,356	789,920

City of Livonia, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended November 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)				
Public Works				
Public services - Highways, streets, and maintenance:				
Engineering	\$ 667,228	\$ 517,828	\$ 503,288	\$ 14,540
Administration	1,843	1,843	2	1,841
Equipment maintenance	(92,303)	14,935	14,840	95
Building maintenance	1,769,950	1,771,163	1,771,156	7
Street lighting	327,538	297,538	297,264	274
Maintenance:				
Streets	168	76,664	76,575	89
Traffic services	60,354	31,204	31,077	127
Forestry	205	181	86	95
Total public works	2,734,983	2,711,356	2,694,288	17,068
Recreation and Cultural				
Parks and recreation:				
Parks maintenance	972,291	895,918	887,018	8,900
Administration	495,025	492,771	463,980	28,791
Recreation facilities	39,121	39,121	33,462	5,659
Swimming pools	182,608	182,608	171,343	11,265
Recreation athletics	153,882	153,882	134,093	19,789
Recreation programs	69,714	71,968	63,751	8,217
Total parks and recreation	1,912,641	1,836,268	1,753,647	82,621
Cultural:				
Historic Preservation Commission	4,708	4,708	3,327	1,381
Historical Commission	65,856	72,961	72,881	80
Library Commission	450,000	450,000	450,000	-
Arts Commission	20,793	20,793	18,422	2,371
Human Relations Commission	7,758	7,758	6,200	1,558
Youth Commission	9,806	9,706	8,872	834
Commission on aging	20,125	20,125	19,038	1,087
Community resources	983,813	979,313	902,528	76,785
Total cultural	1,562,859	1,565,364	1,481,268	84,096
Total recreation and cultural	3,475,500	3,401,632	3,234,915	166,717
Community and Economic Development				
City Planning Commission	702,992	702,992	618,417	84,575
Zoning Board of Appeals	134,265	134,265	111,997	22,268
Total community and economic development	837,257	837,257	730,414	106,843
Employee Benefits, Insurance, and Other				
Total expenditures	2,039,640	2,932,240	2,829,085	103,155
Total expenditures	<u>\$ 49,590,168</u>	<u>\$ 51,020,139</u>	<u>\$ 49,434,345</u>	<u>\$ 1,585,794</u>

City of Livonia, Michigan

	Community Recreation			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 3,463,861	\$ 3,463,861	\$ 3,437,552	\$ (26,309)
Charges for services	2,896,455	3,155,455	3,623,025	467,570
State sources	-	-	50,000	50,000
Interest	50,000	50,000	86,444	36,444
Miscellaneous revenue	-	-	35,500	35,500
Transfers in	-	-	-	-
Total revenues	6,410,316	6,669,316	7,232,521	563,205
Expenditures				
Sanitation	-	-	-	-
Recreation and culture	3,873,840	4,692,563	4,189,772	502,791
Transfers out	2,101,193	2,101,193	2,100,718	475
Total expenditures	5,975,033	6,793,756	6,290,490	503,266
Excess of Revenues Over (Under)				
Expenditures	435,283	(124,440)	942,031	1,066,471
Fund Balance - Beginning of year	4,099,735	4,099,735	4,099,735	-
Fund Balance - End of year	<u>\$ 4,535,018</u>	<u>\$ 3,975,295</u>	<u>\$ 5,041,766</u>	<u>\$ 1,066,471</u>

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended November 30, 2004

Refuse			
Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 11,354,378	\$ 11,354,378	\$ 11,268,625	\$ (85,753)
95,000	95,000	110,880	15,880
-	-	-	-
60,000	60,000	94,878	34,878
5,000	5,000	96,360	91,360
-	-	-	-
11,514,378	11,514,378	11,570,743	56,365
12,533,182	12,909,864	11,585,193	1,324,671
-	-	-	-
-	-	-	-
12,533,182	12,909,864	11,585,193	1,324,671
(1,018,804)	(1,395,486)	(14,450)	1,381,036
4,644,149	4,644,149	4,644,149	-
<u>\$ 3,625,345</u>	<u>\$ 3,248,663</u>	<u>\$ 4,629,699</u>	<u>\$ 1,381,036</u>

City of Livonia, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (000s omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
11/30/98	\$ 177,035 *	\$ 151,085	\$ (25,950)	117.2	\$ 20,653	(125.6)
11/30/99	184,782 *	149,052	(35,730)	124.0	18,684	(191.2)
11/30/00	192,477 *	148,670	(43,807)	129.5	17,132	(255.7)
11/30/01	200,937 *	151,438	(49,499)	132.7	16,721	(296.0)
11/30/02	199,627 *	159,272	(40,355)	125.3	17,285	(233.5)
11/30/03	203,505 *	159,900	(43,605)	127.3	17,109	(254.9)

* Valued using the five-year "smoothed funding" market value

Schedule of Employer Contributions

Year Ended November 30	Annual Required Contribution	Percentage Contributed
1999	\$ 1,919,594	100
2000	837,116	100
2001	645,335	100
2002	417,464	100
2003	392,639	100
2004	-	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of November 30, 2003, the latest actuarial valuation, follows:

Actuarial cost method	Aggregate
Amortization method	Level percent, closed
Remaining amortization period	Expected future working lifetime
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases, including inflation at 4.75%	4.75%-12.67%
Cost of living adjustments	Up to \$240 annually for up to the first six years after retirement

City of Livonia, Michigan

Required Supplemental Information Postemployment Benefit Plans Schedule of Funding Progress (000s omitted)

The following schedules include both the Postemployment Health Care Benefit Plan and the Retiree Health and Disability Benefits Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
11/30/98	\$ 23,250 *	\$ 51,118	\$ 27,868	45.5	\$ 28,989	96.1
11/30/99	24,360 *	61,357	36,997	39.7	30,375	121.8
11/30/00	25,337 *	71,464	46,127	35.5	31,529	146.3
11/30/01	**	**	**	**	**	**
11/30/02	**	**	**	**	**	**
11/30/03	30,475	104,386	73,911	29.2	34,084	216.8

* Valued using the five-year "smoothed funding" market value

** Information not available

Schedule of Employer Contributions

Year Ended November 30	Annual Required Contribution	Percentage Contributed
1999	\$ 3,066,032	100
2000	3,542,404	100
2001	4,318,306	100
2002	4,575,001	100
2003	4,960,217	100
2004	5,859,287	100

City of Livonia, Michigan

Required Supplemental Information (Continued) Postemployment Benefit Plans Schedule of Funding Progress (000s omitted)

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of November 30, 2003, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent, open
Remaining amortization period:	
Health	50 years
Disability	30 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25%
Projected annual premium increases, including inflation at 4.75%	10%

City of Livonia, Michigan

Notes to Required Supplemental Information November 30, 2004

Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Major Special Revenue Funds			
			Community Recreation		Refuse	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 47,819,324	\$ 48,292,597	\$ 7,232,521	\$ 4,189,772	\$ 11,570,743	\$ 11,585,193
Issuance of debt budgeted as revenue	485,000	-	-	-	-	-
Operating transfers budgeted as revenue and expenditures	1,187,636	1,141,748	-	2,100,718	-	-
Amounts per budget statement	<u>\$ 49,491,960</u>	<u>\$ 49,434,345</u>	<u>\$ 7,232,521</u>	<u>\$ 6,290,490</u>	<u>\$ 11,570,743</u>	<u>\$ 11,585,193</u>

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before September 15, the mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following December 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. As provided for by the City Charter, not later than November 1, the Council shall adopt the budget through the passage of a budget resolution and transmit the budget to the mayor. Not later than November 15, the mayor shall either approve or disapprove the adopted budget, in whole or in part.

City of Livonia, Michigan

Notes to Required Supplemental Information November 30, 2004

Note 2 - Budgetary Information (Continued)

4. The legislative budget is adopted at a functional level for the General Fund, and at the fund level for other governmental and proprietary funds. The budget document presents information by fund, function, department, and line items. Management may amend the budget at the detail level within the legislative summary constraints. Appropriations that exceed the summary budget constraints require City Council approval.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City did not have significant expenditure budget variances.

Other Supplemental Information

City of Livonia, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Grants and SAD Street Lighting	Cable Television	Library	Public Safety Communication
Assets						
Cash and investments	\$ 1,960,664	\$ 1,193,342	\$ 129,993	\$ 1,209,332	\$ 639,141	\$ 1,338,772
Receivables:						
Taxes	-	-	-	-	9,034	-
Special assessments	-	-	2,736	-	-	-
Other	6,994	-	-	800	-	47,972
Due from other funds	-	-	-	-	-	-
Due from other governmental units	692,778	262,463	844,719	-	-	-
Restricted assets	-	-	-	-	-	-
Total assets	\$ 2,660,436	\$ 1,455,805	\$ 977,448	\$ 1,210,132	\$ 648,175	\$ 1,386,744
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 69,375	\$ 10,750	\$ 575,891	\$ 85,971	\$ 65,370	\$ -
Accrued and other liabilities	-	-	22,666	8,263	63,943	-
Deferred revenue	-	-	204,810	-	7,285	-
Due to other funds	-	-	-	-	-	-
Total liabilities	69,375	10,750	803,367	94,234	136,598	-
Fund Balances						
Reserved for capital construction	-	-	-	-	-	-
Unreserved - Undesignated	2,591,061	1,445,055	174,081	1,115,898	511,577	1,386,744
Total fund balances	2,591,061	1,445,055	174,081	1,115,898	511,577	1,386,744
Total liabilities and fund balances	\$ 2,660,436	\$ 1,455,805	\$ 977,448	\$ 1,210,132	\$ 648,175	\$ 1,386,744

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
November 30, 2004**

Special Revenue Funds		Debt Service Funds		
Adjudicated Forfeitures	Roads and Sidewalks	1990 Street Improvement	Special Assessments	Municipal Building Authority and Other
\$ 714,342	\$ 2,047,124	\$ 11,714	\$ 122,305	\$ 140,335
-	9,933	3,077	-	-
-	-	-	64,022	-
-	65,535	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	419,951
\$ 714,342	\$ 2,122,592	\$ 14,791	\$ 186,327	\$ 560,286
\$ 52,142	\$ 320,453	\$ -	\$ -	\$ -
-	-	-	-	-
-	8,011	2,482	60,331	-
-	-	-	-	-
52,142	328,464	2,482	60,331	-
-	-	-	-	-
662,200	1,794,128	12,309	125,996	560,286
662,200	1,794,128	12,309	125,996	560,286
\$ 714,342	\$ 2,122,592	\$ 14,791	\$ 186,327	\$ 560,286

City of Livonia, Michigan

	Capital Projects Funds					
	Street Improvement	Drainage Projects Construction	1990 Street Improvement	Fire Station	Golf Course Capital Improvement	Capital Improvement
Assets						
Cash and investments	\$ -	\$ 113,670	\$ -	\$ -	\$ 267,266	\$ 816,117
Receivables:						
Taxes	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	3,682	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-
Restricted assets	486,679	-	1,467,721	-	-	-
Total assets	\$ 490,361	\$ 113,670	\$ 1,467,721	\$ -	\$ 267,266	\$ 816,117
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 24,974	\$ -	\$ -	\$ 86,755
Accrued and other liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	24,974	-	-	86,755
Fund Balances						
Reserved for capital construction	486,679	-	1,442,747	-	-	-
Unreserved - Undesignated	3,682	113,670	-	-	267,266	729,362
Total fund balances	490,361	113,670	1,442,747	-	267,266	729,362
Total liabilities and fund balances	\$ 490,361	\$ 113,670	\$ 1,467,721	\$ -	\$ 267,266	\$ 816,117

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
November 30, 2004**

Capital Projects Funds			
Special Assessments	Community Recreation Construction	Court Building Improvements	Total Nonmajor Governmental Funds
\$ 498,669	\$ -	\$ 243,886	\$ 11,446,672
-	-	-	22,044
602,191	-	-	668,949
-	-	-	121,301
-	-	-	3,682
-	-	-	1,799,960
-	227,757	-	2,602,108
\$ 1,100,860	\$ 227,757	\$ 243,886	\$ 16,664,716
\$ 23,867	\$ 23,215	\$ -	\$ 1,338,763
-	-	-	94,872
527,554	-	-	810,473
3,682	-	-	3,682
555,103	23,215	-	2,247,790
-	204,542	-	2,133,968
545,757	-	243,886	12,282,958
545,757	204,542	243,886	14,416,926
\$ 1,100,860	\$ 227,757	\$ 243,886	\$ 16,664,716

City of Livonia, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Grants and SAD Street Lighting	Cable Television	Library	Public Safety Communication
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,539,605	\$ -
Special assessments			805,037	-	-	-
Intergovernmental revenue:						
State and local	4,805,149	1,818,942	587,070	-	-	-
Federal	-	-	1,145,083	-	-	-
Charges for services	-	-	53,575	-	300,990	598,030
Interest	34,623	7,104	1,035	15,653	18,738	19,577
Fines and forfeitures	-	-	-	-	73,538	-
Miscellaneous revenue	-	-	60,483	547,416	500	-
Total revenue	4,839,772	1,826,046	2,652,283	563,069	3,933,371	617,607
Expenditures						
General government	-	-	198,000	-	-	-
Public safety	-	-	90,777	-	-	85,460
Public works	2,534,342	1,803,317	851,128	-	-	-
Recreation and culture	-	-	489,661	639,701	3,818,091	-
Community and economic development	-	-	1,050,285	-	-	-
Capital outlay	-	-	-	-	-	-
Debt - Principal retirement	-	-	-	-	-	-
Debt - Interest and other	-	-	-	-	-	-
Total expenditures	2,534,342	1,803,317	2,679,851	639,701	3,818,091	85,460
Excess of Revenue Over (Under)						
Expenditures	2,305,430	22,729	(27,568)	(76,632)	115,280	532,147
Other Financing Sources (Uses)						
Transfers in	-	2,301,287	-	-	450,000	-
Transfers out	(2,501,287)	(1,840,000)	-	(40,000)	(476,113)	(500,000)
Total other financing sources (uses)	(2,501,287)	461,287	-	(40,000)	(26,113)	(500,000)
Net Change in Fund Balances	(195,857)	484,016	(27,568)	(116,632)	89,167	32,147
Fund Balances - Beginning of year - As restated	2,786,918	961,039	201,649	1,232,530	422,410	1,354,597
Fund Balances - End of year	\$ 2,591,061	\$ 1,445,055	\$ 174,081	\$ 1,115,898	\$ 511,577	\$ 1,386,744

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended November 30, 2004

Special Revenue Funds		Debt Service Funds		
Adjudicated Forfeitures	Roads and Sidewalks	1990 Street Improvement	Special Assessments	Municipal Building Authority and Other
\$ -	\$ 3,897,131	\$ 1,205,594	\$ -	\$ -
-	-	-	58,407	-
-	-	-	-	-
323,215	-	-	-	-
-	-	-	-	-
9,083	42,073	280	6,840	7,258
157,433	-	-	-	-
69	85,882	-	-	773,682
489,800	4,025,086	1,205,874	65,247	780,940
-	-	-	-	-
438,022	-	-	-	-
-	5,473,021	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,085,000	160,000	1,547,807
-	-	138,169	15,312	1,978,384
438,022	5,473,021	1,223,169	175,312	3,526,191
51,778	(1,447,935)	(17,295)	(110,065)	(2,745,251)
-	2,040,000	-	-	3,166,382
-	-	-	-	(1,181)
-	2,040,000	-	-	3,165,201
51,778	592,065	(17,295)	(110,065)	419,950
610,422	1,202,063	29,604	236,061	140,336
<u>\$ 662,200</u>	<u>\$ 1,794,128</u>	<u>\$ 12,309</u>	<u>\$ 125,996</u>	<u>\$ 560,286</u>

City of Livonia, Michigan

	Capital Projects Funds				
	Street Improvement	Drainage Projects Construction	1990 Street Improvement	Fire Station	Golf Course Capital Improvement
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental revenue:					
State and local	-	-	-	-	-
Federal	-	-	-	-	-
Charges for services	-	-	-	-	131,866
Interest	8,313	1,431	16,368	308	2,710
Fines and forfeitures	-	-	-	-	-
Miscellaneous revenue	-	-	-	6	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>
Total revenue	8,313	1,431	16,368	314	134,576
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Community and economic development	-	-	-	-	-
Capital outlay	-	-	130,408	-	13,500
Debt - Principal retirement	-	-	-	-	-
Debt - Interest and other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	-	-	130,408	-	13,500
Excess of Revenue Over (Under)					
Expenditures	8,313	1,431	(114,040)	314	121,076
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(169,882)	-	-	(70,636)	(43,919)
	<u>(169,882)</u>	<u>-</u>	<u>-</u>	<u>(70,636)</u>	<u>(43,919)</u>
Total other financing sources (uses)	(169,882)	-	-	(70,636)	(43,919)
Net Change in Fund Balances	(161,569)	1,431	(114,040)	(70,322)	77,157
Fund Balances - Beginning of year - As restated	651,930	112,239	1,556,787	70,322	190,109
Fund Balances - End of year	<u>\$ 490,361</u>	<u>\$ 113,670</u>	<u>\$ 1,442,747</u>	<u>\$ -</u>	<u>\$ 267,266</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended November 30, 2004

Capital Projects Funds				
Capital Improvement	Special Assessments	Community Recreation Construction	Court Building Improvements	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 8,642,330
-	220,298	-	-	1,083,742
-	-	-	-	7,211,161
-	-	-	-	1,468,298
-	-	-	242,463	1,326,924
22,966	30,519	2,931	909	248,719
-	-	-	-	230,971
21,908	-	-	-	1,489,946
44,874	250,817	2,931	243,372	21,702,091
-	-	-	-	198,000
-	-	-	-	614,259
-	-	-	-	10,661,808
-	-	-	-	4,947,453
-	-	-	-	1,050,285
1,212,922	79,939	157,939	-	1,594,708
-	-	-	-	2,792,807
-	-	-	-	2,131,865
1,212,922	79,939	157,939	-	23,991,185
(1,168,048)	170,878	(155,008)	243,372	(2,289,094)
103,465	169,882	-	-	8,231,016
(250,000)	-	-	-	(5,893,018)
(146,535)	169,882	-	-	2,337,998
(1,314,583)	340,760	(155,008)	243,372	48,904
2,043,945	204,997	359,550	514	14,368,022
<u>\$ 729,362</u>	<u>\$ 545,757</u>	<u>\$ 204,542</u>	<u>\$ 243,886</u>	<u>\$ 14,416,926</u>

City of Livonia, Michigan

Other Supplemental Information Combining Statement of Net Assets Pension and Other Employee Benefit Trust Funds November 30, 2004

	Employees' Retirement System	VEBA	Total
Assets			
Cash and cash equivalents	\$ 67,119	\$ -	\$ 67,119
Investments:			
U.S. government securities	29,579,920	6,784,816	36,364,736
Common stock	94,986,083	7,187,931	102,174,014
Corporate bonds	35,342,327	6,136,684	41,479,011
Foreign stock	996,146	106,354	1,102,500
Mutual funds	8,714,259	11,003,917	19,718,176
Real estate investment trust	10,000,000	-	10,000,000
Investments held by broker-dealer and banks under securities loans:			
U.S. government securities	8,021,673	-	8,021,673
U.S. corporate fixed income	4,305,450	-	4,305,450
U.S. equities	12,738,801	-	12,738,801
Securities lending short-term collateral bank investment pool	25,788,274	-	25,788,274
Other receivables	208,692	568,446	777,138
Total assets	230,748,744	31,788,148	262,536,892
Liabilities			
Accounts payable	3,560,906	599,801	4,160,707
Accrued and other liabilities	681,746	-	681,746
Amounts due to broker under securities lending agreement	25,788,274	-	25,788,274
Total liabilities	30,030,926	599,801	30,630,727
Net Assets - Reserved			
Employees' Retirement System	194,381,255	-	194,381,255
Employees' postemployment health care and disability benefits	6,336,563	31,188,347	37,524,910
Total net assets	\$ 200,717,818	\$ 31,188,347	\$ 231,906,165

City of Livonia, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Pension and Other Employee Benefit Trust Funds Year Ended November 30, 2004

	Employees' Retirement System	VEBA	Total
Additions			
Investment income:			
Interest and dividends	\$ 6,974,977	\$ 1,295,174	\$ 8,270,151
Net appreciation in fair value of investments	17,374,773	1,592,705	18,967,478
Less investment expenses	<u>(258,836)</u>	<u>(33,088)</u>	<u>(291,924)</u>
Net investment income	24,090,914	2,854,791	26,945,705
Securities lending income:			
Interest and fees	287,761	-	287,761
Less borrower rebates and bank fees	<u>(264,654)</u>	<u>-</u>	<u>(264,654)</u>
Total lending income	23,107	-	23,107
Contributions:			
Employer	-	5,859,287	5,859,287
Employee	<u>569,371</u>	<u>-</u>	<u>569,371</u>
Total contributions	<u>569,371</u>	<u>5,859,287</u>	<u>6,428,658</u>
Total additions	24,683,392	8,714,078	33,397,470
Deductions			
Benefit payments	10,545,996	14,886	10,560,882
Medical benefit payments	4,279,357	405,647	4,685,004
Administrative expenses	139,143	14,582	153,725
Refunds of contributions	<u>921,610</u>	<u>-</u>	<u>921,610</u>
Total deductions	<u>15,886,106</u>	<u>435,115</u>	<u>16,321,221</u>
Net Increase	8,797,286	8,278,963	17,076,249
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	<u>191,920,532</u>	<u>22,909,384</u>	<u>214,829,916</u>
End of year	<u>\$ 200,717,818</u>	<u>\$ 31,188,347</u>	<u>\$ 231,906,165</u>

City of Livonia, Michigan

**Federal Awards
Supplemental Information
November 30, 2004**

City of Livonia, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

We have audited the basic financial statements of the City of Livonia, Michigan for the year ended November 30, 2004 and have issued our report thereon dated February 18, 2005. Those basic financial statements are the responsibility of the management of the City of Livonia, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Livonia, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

February 18, 2005



A worldwide association of independent accounting firms

Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

We have audited the financial statements of the City of Livonia, Michigan as of and for the year ended November 30, 2004 and have issued our report thereon dated February 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Livonia, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Livonia, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and other pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 18, 2005

Report Letter on Compliance with Laws and Regulations and Internal Control - Major Federal Awards

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

Compliance

We have audited the compliance of the City of Livonia, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each its major federal programs for the year ended November 30, 2004. The major federal programs of the City of Livonia, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Livonia, Michigan's management. Our responsibility is to express an opinion on the City of Livonia, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Livonia, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Livonia, Michigan's compliance with those requirements.

In our opinion, the City of Livonia, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended November 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2004-I.

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

Internal Control Over Compliance

The management of the City of Livonia, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Livonia, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and other pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 18, 2005

City of Livonia, Michigan

Schedule of Expenditures of Federal Awards Year Ended November 30, 2004

	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	2004 Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grant:				
Program year 2003 - B03 MC-26-0008	14.218	N/A	\$ 506,000	\$ 645,531 (1)
Program year 2004 - B04 MC-26-0008	14.218	N/A	487,000	201,705 (1)
Total Community Development Block Grant				847,236
Passed through the Michigan State Housing Development Authority - HOME Investment Partnership:				
Program year 2003	14.239	M-2002-5068	277,200	162,675
HOME Buyer Grant	14.239	M-2001-5068	333,300	40,372
Total HOME Investment Partnership Grant				203,047
Total U.S. Department of Housing and Urban Development				1,050,283
U.S. Department of Justice - Federal Equitable Sharing Program	16.0000	N/A	380,116	380,116
U.S. Department of Health and Human Services - Passed through State of Michigan Department of Community Health - Senior Center Staffing				
	13.635	Project 9/30/04	7,463	5,882
	13.635	Project 9/30/05	6,976	1,163
Total U.S. Department of Health and Human Services				7,045
U.S. Department of Transportation - Passed through the Michigan Office of Highway Safety Planning:				
Click it or Ticket	20.600	PT-04-11	47,302	32,537
Drive Michigan Safely Task Force	20.600	PT-05-19	289,751	1,276
Total U.S. Department of Transportation				33,813
Department of Homeland Security - Federal Emergency Management Agency:				
Emergency Preparedness and Response Grant	97.044	N/A	98,042	5,505
Passed through Michigan Department of State Police:				
Emergency Management Performance Grant	83.552	NONE	4,882	4,882
2002 Pre-Disaster Mitigation Grant	83.557	NONE	35,000	16,278
2003 Power Outages	97.036	FEMA-3189-EM	37,092	37,092
Total Department of Homeland Security				63,757

(1) Current year expenditures include use of program income from housing rehabilitation and City-owned homes.

City of Livonia, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended November 30, 2004

	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	2004 Federal Expenditures
U.S. Department of Justice:				
2002 Local Law Enforcement Block Grants Program	16.592	N/A	\$ 45,571	\$ 45,571
2003 Local Law Enforcement Block Grant Program	16.592	N/A	34,669	<u>4,845</u>
Total Local Law Enforcement Block Grants Program				50,416
Drug Enforcement Administration Task Force	16.unknown	N/A	14,116	11,467
Passed through the Michigan State Police:				
2003 SHSGP I Assessment and Strategy	97.004	NONE	20,000	5,092
2003 SHSGP Exercise Grant	97.004	NONE	17,000	<u>4,648</u>
Total U.S. Department of Justice				71,623
U.S. Department of Agriculture - Passed through the Michigan Department of Natural Resources:				
DNR Community Forestry Grant	10.664	CFG-04-11	500	500
DNR Community Forestry Grant	10.664	CFG-04-10	4,000	4,000
Passed through the Michigan Department of Agriculture				
Department of Agriculture Ash Borer Tree Removal	10.025	791N4002274	82,044	<u>82,044</u>
Total U.S. Department of Agriculture				86,544
U.S. Environmental Protection Agency:				
Vulnerability Assessment Grant	66.476	N/A	115,000	35,345
Passed through Wayne County:				
Retention Facility at Idyl Wyld:	66.unknown	XP-995743-02	180,000	69,145
Regional Storm Project	66.unknown	XP-599574-05	345,850	<u>8,619</u>
Total U.S. Environmental Protection Agency				<u>113,109</u>
Total federal awards				<u><u>\$ 1,806,290</u></u>

City of Livonia, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended November 30, 2004

Revenue from federal sources - As reported on the basic financial statements (includes all funds)	\$ 1,581,191
Less other grant revenue reported as federal revenue	(27,056)
Add federal drug forfeiture expenditures in excess of revenues	56,901
Add federal revenue reported as capital contributed from grants	113,109
Add federal revenue reported as other revenue	<u>82,145</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,806,290</u></u>

City of Livonia, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended November 30, 2004

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Livonia, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended November 30, 2004 that is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture - Passed through the Wayne - Metropolitan Community Services Agency	10.569	USDA Food Distribution	\$ 27,655

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 36,100

City of Livonia, Michigan

Schedule of Findings and Questioned Costs Year Ended November 30, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant
16.000	Federal Equitable Sharing Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

City of Livonia, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended November 30, 2004

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2004-1	<p>Program Name - Community Development Block Grant - 14.218</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The Consolidated Annual Performance and Evaluation Report (CAPER) should include all expenditures and program income for the program year in the financial summary section of the report.</p> <p>Condition - The City did not include the proper program expenditures and program income in the 2004 CAPER.</p> <p>Questioned Costs - None</p> <p>Context - The City did not include all of the proper expenditures and program income of the 2004 program year in the financial summary section of the 2004 CAPER.</p> <p>Cause/Effect - The 2004 CAPER was submitted without all of the proper program expenditures and income reported. The calculation in the financial summary section of the CAPER for the percentage of funds disbursed for public services exceeded the maximum allowable of 15 percent.</p> <p>Recommendation - We recommend that the City file an amended 2004 CAPER with HUD.</p> <p>Grantee Response - The City is in the process of resolving the issue and plans to file an amended 2004 CAPER with HUD.</p>

February 18, 2005

The Honorable Mayor and Members
of the City Council
City of Livonia
33000 Civic Center Drive
Livonia, MI 48154-3097

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements of the City of Livonia for the year ended November 30, 2004. In addition to our audit report, we offer the following comments and recommendations for your consideration:

State Revenue Sharing

State shared revenue accounts for approximately 20% of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

2005

As you are probably aware, the Governor's budget for the State's 2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2005 fiscal year at the prior year levels. This plan was approved by the Michigan legislature and signed by the Governor.

In February 2005, the Governor did unveil and Executive Order to remedy a \$375 million shortfall for the State's 2005 budget and it appears to propose no further cuts to revenue sharing. The Executive Order has not been approved to date.

State Revenue Sharing (Continued)

2006

The Governor also introduced her 2006 budget with a \$773 million shortfall in February 2005. At this time, the budgeted amount for revenue sharing in 2006 is approximately the same as the 2005 funding level. The details on how the monies will be distributed on an individual community basis are yet to be confirmed.

Although increased sales tax revenue would support an increase to state shared revenue payments, the State's budget situation remains troublesome at best. It is generally acknowledged that the State's budget woes will continue for several more years. As a result, we continue to urge the City to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

The table below details the actual and projected revenue sharing payments for the City since 2000 compared to the fully funded amount adjusted for inflation at 3%. If revenue sharing payments had increased by just 3% annually since 2000, the City would have received an additional \$10.3 million more in revenue.

State Fiscal Year	Actual Amount Received	Fully Funded Amount *	Shortfall
2000 (Actual)	\$11,212,225	\$11,212,225	\$ -
2001 (Actual)	11,202,409	11,548,592	346,183
2002 (Actual)	10,848,806	11,895,050	1,046,244
2003 (Actual)	10,368,950	12,251,901	1,882,951
2004 (Actual)	9,318,799	12,619,458	3,300,659
2005 (Estimate)	9,246,560	12,998,042	3,751,482
Total	\$62,197,749	\$72,525,268	\$10,327,519

* Adjusted for 3 percent annual inflation.

We will continue to update the City as developments occur.

Funding of Post-Employment Benefit Obligations

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the *government-wide financial statements*, rather than the individual fund level. As a result, the City will need to continue to budget for contributions to a pre-funding plan. For many communities, the funding of post-employment benefits is the most significant financial challenge they will face in coming years. The statement will not be effective until the City's 2009 fiscal year. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.

Unlike most cities, the City anticipated the significance of these costs and in 1986 began accumulating funds on an actuarial basis for future health care payments. The VEBA fund currently has approximately \$31 million dollars set aside for these costs. The following table shows the actuarial calculated funding progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
11/30/98	\$ 23,250,000	\$ 51,118,000	\$ 27,868,000	45.5%
11/30/99	24,360,000	61,357,000	36,997,000	39.7%
11/30/00	25,337,000	71,464,000	46,127,000	35.5%
11/30/01	*	*	*	*
11/30/02	*	*	*	*
11/30/03	30,475,000	104,386,000	73,911,000	29.2%

* Not provided by actuary

As noted above, the actuarial calculated liability for retiree health care has more than doubled from \$51 million in 1998 to \$104 million in 2003. As a result, the City's contribution to fund these costs has almost doubled from \$3 million in 1998 to \$5.9 million in 2004.

Internal Control and Fraud Prevention

Statement on Auditing Standards No. 99

Designing and maintaining a sound system of internal controls over City assets, as well as fraud prevention and detection, are on the forefront in today's business environment. As part of our audit of the City's 2004 financial statements, we performed additional procedures as required by Statement on Auditing Standards No. 99, Consideration of Fraud in a Financial Statement Audit (SAS 99). While SAS 99 does not change the focus of the financial statement audit to a "fraud audit", the new standard incorporates a change in mindset for auditors to search for and identify significant fraud risk factors. SAS 99 requires auditors to perform specific procedures to search for significant fraud risk factors, including inquiries with key members of the administration and other employees throughout the organization; a retrospective review of accounting estimates; a detailed review of all journal entries; and other related procedures. We are pleased to report that no significant fraud risk factors or instances of fraud were identified as a result of our procedures.

We encourage the City to continue its own efforts to reduce the risk of fraud which can be done through a combination of prevention, deterrence, and detection measures. Fraud is often difficult to detect because it frequently involves concealment through falsification of documents or collusion among management, employees, or third parties. Fraud prevention and deterrence measures are typically much less costly than the time and expense required for fraud detection and investigation. SAS 99 includes an appendix, Management Antifraud Programs and Controls; Guidance to Help Prevent, Deter, and Detect Fraud, which discusses the fundamental elements of measures to prevent, deter and detect fraud. Please contact us if you would like assistance in obtaining this important document.


We would like to thank the Mayor and City Council for the opportunity to serve as auditors for the City. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

PLANTE & MORAN, PLLC



Bruce M. Berend



Denise A. Buckley